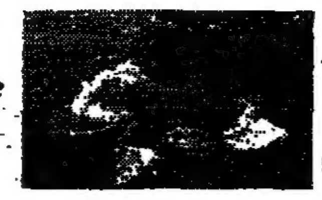
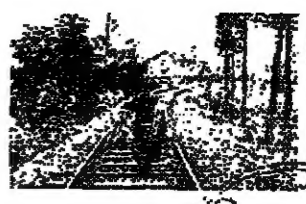
Weekend FT Inside section II

At the feet of the Lord of the Universe Page XV



Join the upper crust Page XIV

The New York Met: a state-of-the-art gallery Page XXIV



China's boom *Needed fast: new infrastructure* Page 9

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND NOVEMBER 27/NOVEMBER 28 1993 D8523A

Japanese stocks dip on fears over banking sector

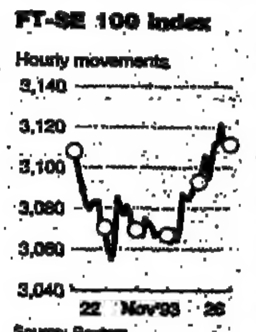
Japanese stock prices dipped 2.9 per cent yesterday on growing fears about the health of the country's banks which disclosed sharply lower profits and because of the still awaited onset of economic recovery. The Nikkei average fell below 17,000 to 16,726.37, ending the week down 6.8 per cent. Page 24 and Lex; Hosokawa still voters' favourite, Page 3; Japan's trust banks slide average 44 per cent, Page 11

Revenue seeks to wind up Nissan UK: The UK Inland Revenue has applied for a winding-up order against Nissan UK, former importer and distributor of Nissan cars which was at the centre of Britain's biggest tax fraud. Page 24

Volkswagen faces $1.1bn loss: Europe's leading carmaker is heading for a DM2bn ($1.1bn) loss this year, Ferdinand Piëch, VW chairman, said. But he expects group capital spending budgets to be cut by an average DM2bn annually over the next five years to help recovery. Page 11

Irish peace priority: A joint UK-Irish framework for a permanent end to violence in Northern Ireland is Irish prime minister Albert Reynolds' priority in his forthcoming summit with UK prime minister John Major. Page 24; IRA hardliners set peace deadline, Page 7

Market muted ahead of UK Budget



Source: Reuters

The market finally got what it wanted on Tuesday with a half-point cut in base rates to 5½ per cent. But its response was muted; the FT-SE 100 index actually fell by 1.3 points on the day and only rose 3.4 points over the week to finish at 3,111.4. The reaction reflected fears that the rate cut could be followed by some less palatable medicine in next Tuesday's Budget. Markets, Weekend Page II; London stocks, Pages 22-23; Lex, Page 24

Pressure rises for trade deal: Pressure mounted on the US and European Union to agree a detailed package of tariff cuts in manufactured goods and farm products next week at the Uruguay Round of trade talks. Page 2

Subway bosses seek help: London Underground, struggling to locate faults in its Central Line power supply cables which caused three days of disruption to users, has appealed for technical help from big UK cable manufacturers and international subway operators. Page 6

Strike paralyses Belgium: Belgium was paralysed with rail and post services shut down by the first general strike since 1936 in protest against a government austerity plan. Page 2

Hamas commander shot dead: Israeli forces in Jerusalem shot dead Khaled Zer, a military chief of the Hamas Islamic fundamentalist group. His shooting came less than two days after the killing of the Hamas head in Gaza. Page 3

US official seized: Haynes Mahoney, director of the US Information Service office in Sanaa, the Yemeni capital, was abducted from his car.

Channel tunnel death fines: Five UK construction companies building the Channel tunnel were each fined £40,000 for failing to ensure the safety of a worker who was crushed to death while acting as a train lookout. Page 7

Euro Disney shares probe: The Paris stock market authorities have launched an inquiry into the recent volatility of shares in Euro Disney, the troubled leisure group trying to negotiate a financial restructuring package. Page 11

W Germany inflation heads down: Western Germany's inflation rate fell for the fourth consecutive month and is expected to dip below 3 per cent by the middle of next year. Page 2

Ex-RAF officer awarded £172,000: Nichola Cannock, who was forced to retire as a senior RAF engineering officer when she became pregnant, was awarded £172,912 ($257,640) damages by an industrial tribunal. Page 4

San Francisco death jump: An unnamed man clutching his baby daughter jumped off the Golden Gate Bridge in San Francisco Bay.

■ STOCK MARKET INDICES		
FT-SE 100:	3,111.4	(+18.3)
Yield	3.82	
FT-SE Eurotrack 100	1,346.86	(+3.60)
FT-A All-Share	1,533.3	(+0.5%)
Nikkei	16,726.37	(-496.55)
New York lunchtime		
Dow Jones Ind Ave	3,683.67	(-3.91)
S&P Composite	462.84	(+0.48)
■ US LUNCHTIME RATES		
Federal Funds:	3 1/16%	
3-mo Treas Bills: Yld	3.157%	
Long Bond	99 11/32	
Yield	6.258%	
■ LONDON MONEY		
3-mo Interbank	5 7/16%	(5 3/8%)
Liffe long gilt future:	Dec 115 1/2	(Dec 115 7/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$14.46	(14.58)
■ Gold		
New York Comex (Dec)	$377.2	(377.3)
London	$377.0	(377.6)

■ STERLING		
New York lunchtime:		
$	1.49	
London:		
$	1.48	(1.4855)
DM	2.5325	(2.5425)
FFr	8.76	(8.8075)
SFr	2.2175	(2.2325)
Y	160.75	(161.25)
£ Index	81.2	(81.7)
■ DOLLAR		
New York lunchtime:		
DM	1.7125	
FFr	5.9135	
SFr	1.49885	
Y	108.825	
London:		
DM	1.7115	(1.7085)
FFr	5.9125	(5.9175)
SFr	1.4975	(1.4995)
Y	108.65	(108.30)
$ Index	67.1	(66.9)
Tokyo close Y 108.52		

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Lonrho to finance Libyan film about Lockerbie

Deal prompts further division between Rowland and Bock

By Robert Peston and Roland Rudd

Lonrho and the Libyan government have set up a Caribbean shell company to finance a £633,000 documentary film about the Lockerbie bombing.

The disclosure of Lonrho's secret partnership with Libya in the film project comes just two days before tough new United Nations sanctions against the country are due to come into force.

These include a freeze on Libyan assets held abroad to increase pressure on it to hand over for trial in the west suspects accused of blowing up the Pan Am airliner over Lockerbie, Scotland, in 1988 with the loss of 270 lives. The deal has prompted a further division between Mr Dieter Bock and his joint Lonrho chief executive, Mr Tiny Rowland, who is responsible for Lonrho's involvement in the film. Mr Bock is known to be embarrassed by the Libyan connection and wants to minimise business dealings with the state.

But Mr Rowland, who is currently abroad and was unavailable for comment yesterday, has accumulated what he believes to be evidence that Libya was not responsible for the bombing and has passed this to UK ministers.

The film is being made by Mr Allan Francovich, a producer from the US who has made a number of highly praised documentaries about the US Central Intelligence Agency. It is being funded by Metropole Hotels, which is two thirds owned by Lonrho and one third by the Libyan Arab Finance Company, the main investment vehicle of Colonel Muammer Gadaffi, the Libyan leader.

Metropole has set up a wholly owned subsidiary in the British Virgin Islands, called Hemar Enterprises. Hemar hired Mr Francovich as director and producer of a 90 minute television documentary, with a budget of £632,948. Metropole has deposited £105,000 of this into Hemar's account at Credit Suisse in Zurich, Switzerland.

At a Metropole board meeting in August, members were told that talks had been held between the LAFC and Lonrho directors about the possibility of making a film on "Libyan issues". Mr Rowland then suggested that it should be financed by Metropole.

One Metropole director, Mr Martin Bolland, said at the meeting that he was concerned at possible adverse publicity for the group from its involvement. However, Mr Rowland – supported by Mr Smeida El Naili and Mr Mohamed Ali El Huwej, both of the Libyan Arab Finance Company – instructed that Hemar should be set up by Metropole and should have only three directors: himself; Mr Ken Etheridge, the former policeman who is head of security at Lonrho; and Mr El Naili.

Mr Francovich said he had complete control of the project and could withdraw if there was any interference from Lonrho or the Libyans. He said he had already found out some "incredible" details about the background to the bombing and that shooting would start in "three or four weeks".

He has requested interviews with the alleged Libyan intelligence agents, Mr Abdel Basset Ali al-Megrahi and Mr Lamen Khalifa Fhimah, whom the UK and US governments want to try in connection with the bombing.

Recently, Mr Rowland said he felt honour bound to work with Libya since selling it the Metropole stake for £177m in 1992.

Judge says sentence is 'commensurate' ■ SFO denies error over plea bargain

City anger over community service order for Levitt

By John Mason, Law Courts Correspondent

The Serious Fraud Office was at the centre of another controversy yesterday when Mr Roger Levitt, the former financial services salesman who pleaded guilty to fraud after his company collapsed with losses of £34m, walked free from court.

Mr Levitt, who headed one of the most successful financial services companies of the mid-1980s, was ordered to carry out 180 hours of community service by Mr Justice Laws following a plea bargain with the SFO's lawyers.

The Levitt Group, which collapsed in December 1990, attracted celebrity names such as Mr Sebastian Coe, the former Olympic athlete who is now a Tory MP, and Mr Adam Faith, the entertainer, to act as directors of its subsidiaries.

Its most famous individual loser was the writer Mr Frederick Forsyth, who lost some £900,000.

The sentence imposed on Mr Levitt, following a three-year investigation and prosecution by the SFO, provoked widespread anger among both investors who lost money in the collapse of the Levitt Group and City regulators.

The SFO defended its decision not to proceed with 31 charges against Mr Levitt and Mr Mark Reed, the group's former managing director, a week into the trial. These included obtaining property and services by deception, forgery, false accounting and making misleading statements.

In return the two men pleaded guilty to a severely limited part of the indictment against them – a fraudulent trading charge involving the deception of Fimbra, the self-regulatory body for financial advisers.

The SFO yesterday denied this had been a misjudgment, saying the offence the two men pleaded guilty to - which carried a possible seven year jail sentence - adequately reflected their criminality. An SFO official said the trial judge alone was responsible for deciding sentences.

Passing sentence on the two men, Mr Justice Laws said he said he could only sentence on the charges to which they had pleaded guilty. These were comparable to breaches of the Financial Services Act carrying a two-year sentence. Given their loss of reputations and fortunes, community service orders were "commensurate", he said.

Afterwards a beaming Mr Levitt said he was "a great believer in British justice". The bankrupt entrepreneur – who will now become a vacuum cleaner salesman – said he planned to celebrate by getting drunk. "I will have to borrow the money first," he added.

Fimbra said sentencing was a matter for the courts. However, Mr Jim Gaskin, the Fimbra director of enforcement responsible for the Levitt case, admitted there was considerable unhappiness at the outcome of the trial.

"Low sentences for fraud give out the wrong signals to both those who suffer from fraud and those who perpetrate it," he said.

The outcome also caused dismay among lawyers acquainted with the case. Concern centred on how an investigation and prosecution which cost millions of pounds could end with sentences of community service orders. "It looks very bad. I feel ashamed," said one senior lawyer as he left the courtroom. "It's extraordinary – a scandal," said a leading QC who specialises in fraud cases.

"He [Mr Levitt] should pay for what he has done," said one disgruntled investor. "It is an insult to the victims and creditors."

Mr Reed was ordered to do 120 hours community service. A third defendant, Mr Alan MacNamara yesterday admitted a charge of recklessly furnishing misleading information to Fimbra. He will be sentenced on Wednesday.

Roger Levitt and his wife, Diana, after the sentencing. He said he was "a great believer in British justice" and planned to celebrate by getting drunk, but "I will have to borrow the money first" Photo News Service

Ministers raise hopes of Budget boost for industry

By Kevin Brown, Political Correspondent

The government launched a concerted ministerial drive yesterday to deliver an upbeat message over Britain's economic prospects, raising hopes that Tuesday's Budget will focus on boosting the recovery.

The campaign followed a favourable City response to Thursday's Commons hint from Mr Kenneth Clarke, the chancellor, that tax rises will fall on consumers rather than business.

The FT-SE 100 Index closed 18.3 points higher at 3,111.4, reflecting a widespread judgment that Mr Clarke's comments presage a Budget aimed at increasing industrial production.

The impression left by the chancellor was reinforced in a series of ministerial speeches on the economy co-ordinated by Conservative central office.

The campaign reinforced growing confidence among Conserva-

Continued on Page 24
Budget fears hit northern companies, Page 7
Glittering prizes, Page 8
Editorial Comment, Page 8

Yeltsin threatens broadcasting ban

By Leyla Boulton in Moscow

President Boris Yeltsin yesterday warned that Russian politicians who attacked his draft constitution could have their free air-time for party political broadcasts confiscated.

Mr Yeltsin urged candidates "not to sling mud at each other" and to campaign in a "more civilised way".

His comments showed a combination of paternalism and a more authoritarian streak as he attempted to dictate the content of political debate. The constitution will be put to a referendum on the same day as parliamentary elections on December 12.

Mr Yeltsin – in a reference to the bloody crushing of a parliamentary uprising – said the price paid for a constitution to be submitted to the people had already been too high. His legal department also issued a statement saying it was absurd for candidates to run for parliament while calling for a boycott of the constitution, which would make the elections null and void.

His request for a clean campaign was echoed in "recommendations" issued by the special arbitration court which is supposed to monitor media coverage of the elections.

It said that the prime duty of candidates was to tell voters about their programmes so they could decide whom to vote for. It also said candidates should not slander each other.

It cited an insinuation by Mr Stanislas Govoriukhin, a film-maker running for the Democratic party, linking Mr Yegor Gaidar, the leader of Russia's Choice, with the theft of billions of roubles from the state mint during the October 3 uprising.

Mr Vladimir Zhirinovsky, leader of the Liberal Democratic (neo-fascist) party, was criticised for "whipping up ethnic hatred".

The court also suggested that candidates should devote more time to debate among each other rather than using free television time for monologues.

Mr Yeltsin revealed that he wanted parliament to be housed in the former Comecon building – home to some of the Moscow mayor's offices and international organisations such as the European Bank for Reconstruction and Development. The Comecon skyscraper is next to the White House, the old parliamentary building which will become government offices.

Brussels complains about bank restrictions, Page 2

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr65; China Fec 13.0; Canada C$1.40; Cyprus C£1.00; Czech Rep CZK45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr9.00; Germany DM3.50; Greece Dr300; Hong Kong HK$16; Hungary Ft165; Iceland IKR215; India Rup40; Indonesia Rp3,600; Israel NIS6.90; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.600; Lebanon $US1.25; Luxembourg LFr65; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira45.00; Netherlands Fl3.75; Norway NKr16.00; Oman OR1.60; Pakistan Rs35; Philippines Pso 45; Poland Zl 32,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep K$5.45; South Africa R12.00; Spain Pts210; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$65; Thailand Bht50; Tunisia Din1.250; Turkey L8000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

No 32,229 Week No 47

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Nationwide stoppage aims at reversing new austerity plan

General strike paralyses Belgium

By David Gardner in Brussels

Belgium yesterday was brought to a virtual standstill by a one-day general strike – the first for 58 years – aimed at rolling back the austerity plan announced last week by the Christian Democrat-Socialist coalition government.

The action comes after localised strikes launched by the two main trade unions on November 15 and 24. It is is the first general strike in Belgium since 1936, when workers halted the country to demand a week's paid holiday a year.

The two main targets of the unions are a BFr75bn (£1.4bn) cut in forecast social security expenditure and a pay increase limit of 2 per cent for the next three years, which amounts to a freeze on wages once inflation is taken into account.

The public sector was almost totally paralysed yesterday, with the railways, post office, and schools all mostly shut down, and skeleton staffing of hospitals.

Most large private industry was at a halt. In Namur and Liège, even the police came out in sympathy. Sabena, the struggling national airline, claimed two thirds of its employees were at work and reported delays but only two cancellations because of fog.

The port of Antwerp was at a standstill, according to the Belga news agency. This was partly the result of effective use of flying pickets, which kept such companies as BASF, Bayer, and General Motors closed, and early yesterday blocked traffic using the southern approaches to Brussels.

The Belgian employers' federation put the cost of this week's strikes at BFr12bn, which they said was equivalent to 11,000 jobs over a year.

The BFr75bn saving, achieved by making eligibility for items such as child allowances dependent on income levels, is intended to keep the social security budget in balance.

Had the government of Mr Jean-Luc Dehaene not made it, officials and economists expected renewed pressures on the Belgian franc, because of the budget deficit of over 6 per cent and unsustainable public debt equivalent to 130 per cent of national output.

The franc, which shadows the D-Mark, has been severely tested by the markets since the August 2 European Union decision to float currencies in the European exchange rate mechanism within wide bands.

The wage freeze was as far as the centre-left coalition could go without risk of collapse, even though leading economists point out that pay has increased much faster than productivity over the past three years. The unions and, initially, the Socialist members of the government wanted to offset the cuts and the wage freeze by increases in property tax and withholding tax on investment income.

Mr Dehaene has offered to meet the unions but shows no signs of backing away from the austerity package.

Striking workers at Zaventem airport in Belgium set up burning barricades across access roads Reuter

Pressure on US and EU grows for tariff cuts deal

By David Dodwell, World Trade Editor, in Geneva

Pressure mounted yesterday on the US and the European Union to agree a detailed package of tariff cuts in manufactured goods and farm products next week, as representatives of the 116 nations engaged in the Uruguay Round of talks on global trade liberalisation met in Geneva.

A meeting of all trade negotiators, held just 19 days ahead of the December 15 deadline for completing the seven-year negotiations, was repeatedly told that a top-level EU-US meeting in Brussels next Wednesday "must reach a substantive result".

The Brussels meeting follows two days of talks in Washington this week between Mr Mickey Kantor, the US trade representative, and Sir Leon Brittan, his EU counterpart. These were described as constructive, but produced no specific agreement.

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, complained yesterday: "Constructive meetings are no substitute for concrete results."

He wants a clear outcome from the US and the EU by Wednesday so Gatt can complete by the end of the week a market access package embracing all 116 countries. "We cannot afford further delay without jeopardising the round," he said.

At the Geneva meeting, successive ambassadors complained of the difficulties being created by the US-EU delay, and by a handful of last-minute changes called for by the US in sensitive areas like anti-dumping policy, financial services, and internationally-even-handed tax treatment.

"The world is waiting for a market access package from the US and the EU in Brussels next week," said Mr Don Kenyon, Australia's Gatt ambassador.

Mr Tran van Thinh, his EU counterpart, acknowledged the need for the US and EU to settle differences. He said that in spite of the difficulties faced by the community in terms of decision making, it was making every effort to reach a market access agreement by next week: "The US and the EU do indeed shoulder a heavy responsibility for conclusion of the Uruguay Round."

Delegates were digesting a list of proposed US changes to a text disciplining the use of anti-dumping laws, with most signalling strong opposition to the changes. Mr John Schmidt, the chief US Gatt negotiator, insisted that the US "had approached this issue in a spirit of restraint" but noted that it was a matter of enormous importance in the US. Mr Sutherland called for all negotiations to be effectively completed by December 13, allowing translators to prepare texts of a prospective Uruguay Round agreement for approval at a meeting of all negotiators on December 15.

French drugs chief calls for new regime

France requires a new industrial policy for its pharmaceuticals sector, said Mr Jean-Francois Dehecq, president of Elf-Sanofi, yesterday. The company, France's second largest drugs group is a subsidiary of state-owned Elf Aquitaine, the oil concern due to be privatised at the beginning of next year, Paul Abrahams writes.

French drugs groups' profitability over the last 20 years had been negligible compared with those of British or American companies, said Mr Dehecq.

"The lack of success has not been due to lack of innovation. Prices in France have been too low. There is no other reason for it. We must have a new convention between government and industry," he told the Financial Times.

Mr Dehecq said the government must pay higher prices for innovative products. To compensate for additional spending on new products, it was imperative a way was found to lower the prices of older drugs. The possibility of reducing the number of prescriptions should also be addressed.

The government understood that innovation had to be rewarded and was leaning in this direction, added Mr Dehecq. Snip, the French pharmaceuticals manufacturers association, expects to conclude negotiations aimed at holding back drugs spending growth.

France spends more per capita on drugs than any other European country. During the first six months this year, it spent $108 (£72.40) per head, compared with $46 in the UK. French doctors prescribe five times as many items as British doctors and six times as many as their Danish counterparts. However, French prices are among the lowest in Europe.

The French market was the world's third largest last year, worth $12.26bn. For the first three quarters this year it grew 6 per cent, according to IMS International, the market research group.

Mediterranean Eurocorps under discussion

France, Italy and Spain are discussing the creation of a southern "Eurocorps" to maintain security in the Mediterranean region, a senior military officer said, David Buchan writes from Paris.

The plan follows their recent "Ardente" troop exercise in Italy, and is designed to complement the increasing number of joint manoeuvres by the three countries' navies and air forces.

The scheme has been forwarded to the Western European Union, defence wing of the new European Union, as a formal initiative by Italy. "The idea is to try to find a formula to bring together rapid deployment units of the three countries," the officer said.

It was unlikely to be a copy of the Strasbourg-based Eurocorps, which is to have some 40,000 French, German and Belgian troops at its disposal by 1995, but "perhaps a common command structure".

France, Italy and Spain are already working, through the WEU, to institutionalise their naval co-operation in the Mediterranean in the form of "pre-planning" for emergencies.

Behind the scheme is the realisation, particularly on the part of France, that the Strasbourg-based Eurocorps will be ill-suited for rapid mobile operations outside Europe. First, it is composed largely of heavy units designed for battle on the central European front, and second, there are still political, if not constitutional, constraints on German forces' range of action.

Spain is considering joining the Eurocorps, and once that decision is taken, the Strasbourg-based force will be of a satisfactory size and membership, the officer said. There is no expectation in Paris that Britain or the Netherlands might join the Strasbourg unit.

"One day there might be a Eurocorps 2, a Eurocorps 3, particularly if the US continues to pull its troops out of Europe," said the officer.

W German inflation falls

By Judy Dempsey in Bonn and David Waller in Frankfurt

The rate of inflation in west Germany fell for the fourth consecutive month and is set to dip below 3 per cent by the middle of next year, economists said yesterday.

The cost of living in west Germany rose by 0.3 per cent this month, representing a year-on-year rise of 3.7 per cent. This is a sharp fall from July, when inflation reached a peak of 4.3 per cent, and from 3.9 per cent in October.

Although the reduced inflation rate on the face of it encourages market hopes of a further rate cut, Mr Hans Tietmeyer, the Bundesbank president, warned yesterday that the current inflation rate was unsatisfactory.

He said the Bundesbank would only deliver further cuts in interest rates if this did not conflict with the institution's main objectives of maintaining monetary stability and preserving the value of the D-Mark.

The publication of the data and Mr Tietmeyer's comments came at a sensitive time for financial markets, as it is widely expected the Bundesbank will cut its official rates again before the end of the year at one of the two remaining meetings of its policy-making council, the first of which takes place on December 2.

He reiterated the Bundesbank's standard line that it will continue examining whether there is further scope for interest rate cuts, emphasising that the decisive factor for German industry was long-term interest rates – at near-historical lows – rather than short-term ones.

His comments on the importance of defending the D-Mark dovetail with remarks by Mr Otmar Issing, the Bundesbank's chief economist, who said on Thursday that devaluing the D-Mark would be the "the wrong medicine" for reviving the ailing German economy.

Economists said the Bundesbank would not be rushed into cutting interest rates, pointing out that indicators other than the inflation rate – particularly the money supply, capital, and foreign exchange markets – were being watched closely by the Bundesbank.

But any further easing of interest rates would be welcomed by investors in eastern Germany, where business confidence in the privatised sector is showing signs of gradual recovery. In a survey by the Halle Economic Research Institute of 300 enterprises in the food processing sector, 56 per cent of those surveyed said the outlook was more positive.

Genetic engineering red tape removed

By Ariane Genillard in Bonn

The German parliament yesterday approved a measure that removes some of the most cumbersome bureaucratic and environmental obstacles to genetic engineering research.

The measure, which updates the three-year-old law regulating progress in gene technology, is intended to boost the competitiveness of German chemical industries, which have complained about unfair research conditions.

It will remove some of the long and costly approval procedures which had driven many chemical enterprises to focus most of their research in laboratories abroad, in particular in the US and Japan.

The move is part of the government's efforts to remove red tape and dilute some of the strictest environmental legislation in Europe, often denounced as hindering the competitiveness of German industry. "This is also particularly important for research conducted in universities and for smaller enterprises," Ms Christina Sehnert of Bayer, the chemical group, said.

The amendment was approved after various versions were rejected by the opposition Social Democrats, who argue that research manipulating genes should be closely monitored by the authorities.

While approval procedures will still be required, the amendment greatly reduces the time involved. It introduces simpler registration procedures for research classified under the law as safe for the natural and human environment.

Protests at Russian bank curbs

By Leyla Boulton in Moscow and David Gardner in Brussels

The European Commission has complained to the Russian government about its restrictions on foreign banks licensed to do business in Russia. The Commission sees them as going against the grain of a partnership agreement due to be endorsed next month.

The complaint, in a letter from the European Commission, which has been negotiating the partnership agreement, comes just before Russian President Boris Yeltsin's visit to Brussels on December 9 to initial the agreement.

Part of the purpose of the trip, just three days before parliamentary elections on December 12, illustrates the dilemma over Russia faced by the European Union. Eager to support Mr Yeltsin and pro-reform parties in the election with this public relations boost, they are limited in how much they are able to complain.

"We have to be careful about making threats," said one EU diplomat. "The political situation does not allow it. But... we cannot accept that Mr Yeltsin should get away with anything he wants just because of the election."

The diplomat also said the EU was alarmed by a draft decree, which Mr Yeltsin may not sign, limiting the activity of foreign lawyers in Russia.

The partnership agreement grants Russia trade concessions – such as the right to be consulted before the EU takes anti-dumping action against Russian exports – while setting a favourable regime for each other's service industries.

The banking restrictions, reversing the terms of licences already given to banks to operate in Russia, are in open conflict with Russia's law on foreign investment and a presidential decree which last month promised to protect foreign investors.

In Brussels, a European Commission trade official described the banking curbs as "a bit of a spanner in the works" which "makes it a lot more difficult" to get a partnership agreement by December 9.

He said the Yeltsin government's move placed "a fairly severe restriction on our banking operations, until 1996 at least" and wondered whether Moscow was as anxious for the partnership arrangement as it was last spring, when Mr Yeltsin was facing a referendum on reform.

But there is suspicion that the restrictions could be a negotiating ploy to force the Commission's hand on the few remaining items to be resolved in the agreement, such as Russian nuclear fuel exports. "We're also aware that the Russians are very tough negotiators," the official said.

A last attempt to solve the dispute will be made during negotiations next week.

Deputy prime minister Alexander Shokhin, who has been negotiating the treaty and is a candidate for the rival Party of Unity and Accord, has said the presidential decree containing the restrictions contradicts the treaty. On banking, all the treaty does is set limits for flows of capital out of Russia, and on foreign banks' right to deal with smaller depositors.

Moscow to condemn nationalism

By Chrystia Freeland in Moscow and Matthew Kaminski in Riga

The Russian foreign minister is expected to ask the 52-nation Conference on Security and Co-operation in Europe to adopt a resolution condemning "aggressive nationalism" at the one-time cold war negotiating body's annual meeting in Rome next week.

The Russian diplomatic initiative, unveiled in Moscow this week by Foreign Ministry officials, is the latest move by the Kremlin to establish a more muscular Russian presence in the "near abroad", as Russians describe the other former Soviet republics.

In the same vein, Russian resistance to an extension of membership of the North Atlantic Treaty Organisation to eastern Europe hardened yesterday when a presidential spokesman said that Mr Yeltsin agreed with the harsh attack on the notion of an expanded Nato delivered by Mr Yevgeny Primakov, the head of the Russian intelligence agency, earlier in the week.

By proposing that the CSCE adopt a resolution on "aggressive nationalism" Mr Andrei Kozyrev, the Russian foreign minister, is seeking international legitimacy for his pledge this month to take tough action to defend the rights of ethnic Russians everywhere in the former Soviet Union.

The new, tougher Russian stance could first be put to the test by Latvia, which yesterday passed the first reading of a restrictive law on citizenship. The controversial legislation establishes quotas on the number of new citizens the country will naturalise every year.

Currently only 66 per cent of Latvia's 2.7m inhabitants are citizens. To qualify for citizenship the rest of the population, mainly Russians brought in to the republic after the second world war and their descendants, must demonstrate a conversational knowledge of Latvian and fulfil a 10-year residence requirement.

Mr Guntis Ulmanis, the Latvian president, justifies this restrictive legislation on the grounds that "we could have a demographic explosion. The threat of our extinction forces us to take this step."

The new hard line in Russian foreign policy was also in evidence yesterday when Moscow raised the stakes in its struggle with Kiev over the nuclear weapons stationed on Ukrainian soil.

The Russian cabinet threatened to stop servicing the nuclear weapons in Ukraine in retaliation for the Ukrainian parliament's decision this month to surrender only a part of its nuclear arsenal. The missiles could become unstable.

CIS peace-keeping tops CSCE agenda

Anthony Robinson on the organisation seeking a new framework for Europe

Foreign ministers from the 52-nation Conference on Security and Co-operation in Europe (CSCE) meet in Rome next week to push forward the complex task of building a new co-operative framework for a Europe no longer divided into blocs but still beset by ancient fears and resurgent historical rivalries.

Top of the agenda will be discussion of the latest EU-inspired peace plan for Bosnia, Russian efforts to gain western support for Russian and CIS "peace-keeping" missions in Trans-Caucasus and central Asia and a review of the other fault-lines of post-cold war Europe.

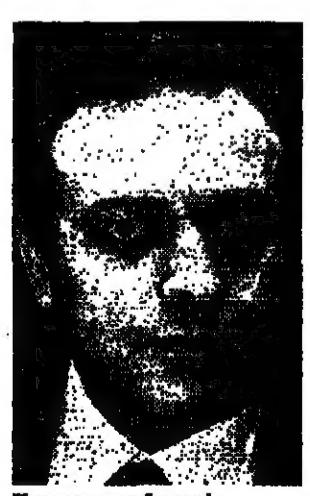
The CSCE originated in the 1970s as a Soviet-inspired proposal to legalise and formalise the post-war division of cold war Europe. It helped instead to end that division by the west's insistence on the inclusion of human and civil rights in the so-called "Basket 3" of the CSCE Helsinki Final Act signed in 1975.

The end of the cold war was celebrated in November 1990 at the CSCE heads of government summit in Paris with signature of the Charter of Paris. Prematurely, the charter proclaimed "a new era of democracy, peace and unity". But a few months later war broke out in former Yugoslavia and the Soviet Union disintegrated into its 15 component republics.

The former Soviet states were admitted into the CSCE at the Prague meeting of foreign ministers in January 1992. The CSCE writ runs therefore way beyond Europe. It extends from Vancouver to Vladivostok, taking in Siberia and the central Asian republics of the former Soviet Union as well as the transatlantic Nato bastions, the US and Canada.

Its remit likewise has broadened. The Paris summit agreed to set up its own secretariat, a Conflict Prevention Centre, based in Vienna, and an Office for Democratic Institutions and Human rights based in Warsaw. But it has only minuscule bureaucratic back-up and a revolving chairmanship.

In short it is a friendly, well-intentioned but unwieldly creature. But it is charged, rather like the UN itself, with an impossible variety of difficult tasks thrown up by the re-emergence of ethnic and historical rivalries.



Kozyrev: spoof speech

Many of its members, while mildly grateful for the psychological reassurance which CSCE membership provides, would much prefer to be full members of a security organisation like the West European Union (WEU) or Nato.

The CSCE's inability to prevent the violation of all its principles by the warring forces in former Yugoslavia remains a perpetual source of embarrassment. At the same time however conflict in the Balkans has spurred the CSCE into devising ways of calling on Nato and the European Union to provide muscle for the CSCE's peace-keeping aims.

A set of conflict prevention/crisis management measures were at the heart of the final document, entitled "The Challenges of Change", approved at the Helsinki summit in July 1992. This empowered the CSCE to call on Nato, the WEU and others to help with peace-keeping. A new Forum for Security Co-operation was set up with a mandate covering arms control, disarmament and security building.

Since then, however, deep divisions within the EU, and between the Europeans and the Americans in Nato, have revealed how thin these institutional arrangements are.

Meanwhile, Mr Andrei Kozyrev, the Russian foreign minister, created a minor panic at the last meeting of foreign ministers in Stockholm a year ago when he made a spoof speech purporting to signal a sea-change in Russian foreign policy back to the confrontational "nyet" politics of the Soviet past. The minister has been more circumspect in the run-up to this week's Rome meeting. But his message remains essentially the same.

Russia wants, and feels it deserves, western moral support and financial assistance to help Moscow shoulder the burden of peace-keeping in the Eurasian landmass, and especially along the ethnic and religious fault-lines of the trans-Caucasus and central Asian regions.

In an October speech in London, Mr Kozyrev reinforced his argument by adding "No substitute for our efforts here is in sight... Russia's withdrawal from its peace-keeping role would threaten the former Soviet Union with a Yugoslav scenario."

It is an argument which cuts little ice with the Baltic states, still battling to get Russian troops and installations out of Latvia and Estonia.

But in some west European chancelleries support is growing for carefully monitored, case-by-case, western backing for CIS peacekeeping activities, together with the dispatch of small teams of western observers to monitor the modalities.

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Sanctions take toll on Serbian patients

Laura Silber finds a new Bedlam in a mental hospital without drugs

At Toponica, Serbia's largest psychiatric hospital, even the silent, skeletal faces shriek.

Day after day, patients shrunken by starvation, cold and infections, shiver and die beneath grey blankets, two dozen in the last fortnight, hospital workers said.

Corpses decay as the staff search in vain for relatives who can afford the burial expenses.

The living spend their days sitting in their own excrement as hospital workers, with no drugs to administer, stand by helpless.

Few people can even travel to Toponica because petrol is in short supply and public transport has been slashed since the United Nations imposed economic sanctions on Serbia for lending military and economic support to the Serbs carving up Bosnia.

Toponica is not an island of horror; it is but one gruesome sample of the crisis consuming the former Yugoslavia. Mr Sven Lampell, Belgrade head of the International Federation of Red Cross and Red Crescent Societies (IFRC) says donor countries are "prejudiced", reluctant to give aid to the remnants of Yugoslavia, whose leaders have been branded the chief instigators of the war.

He fears Serbia will be unable to cope with the economic collapse. The stench and squalor of Toponica are evidence of his grim view. An IFRC doctor estimates that at least 200 patients are at risk of imminent death, but warns of similar cases elsewhere.

Toponica is Bedlam, the word coined from the Bethlehem Royal Hospital established in 1547 in London. Only centuries later did anti-psychotic drugs subdue the tumult. The 1,600 psychiatric patients, 400 more than the maximum legal capacity, have fallen between the cracks of a society caving in. The inmates are undergoing a cruel experiment, deprived of drugs, food and heating.

A hospital doctor puts it bluntly: "We have gone back in time 50 years at Toponica." And by western standards, hospital conditions in Yugoslavia before the Second World War were almost medieval.

The story of Toponica is filled with villains and heroes. Mrs Nadica Radic, a seemingly tireless head nurse, and a team of medical technicians, are heroes, especially given their average monthly wage equivalent to DM3.

Until last week, Serbian authorities ignored the pleas of Mrs Radic about the plight of the hospital. Now they have seized on Toponica as yet another example of the "injustice" of sanctions.

While the embargo is the scapegoat for everything gone wrong in Serbia, this institution also exposes the legacy of communist disregard for psychiatric care. Serb officials blame the sanctions for the acute shortage of medicines but a Belgrade pharmacist say neuroleptic drugs are available, "but you just need to have money", he adds.

In a state whose leaders seem immune to the suffering of the population, psychiatric patients rank at the bottom of the agenda because they pose no threat to Serbian President Slobodan Milosevic.

With resources wanting in Serbia, local relief officials spar over scraps of aid. Dr Radomir Krstic, president of the Red Cross in nearby Nis, 180 miles southeast of Belgrade, appeals for help for the Nis children's clinic, dismissing the patients of Toponica. "They are just idiots, they need drugs, not clothes."

Four lorries carrying emergency aid have been despatched to Toponica. But Handicap International, a Paris-based aid organisation, says a $2.5m emergency aid package for Serbian centres serving disabled populations is necessary to meet the bare minimum.

But two years of war, the UN sanctions and corruption have emptied the state coffers, on one hand, while war profiteering and sanctions busting, on the other hand, have made Belgrade's power brokers and protected crime figures rich.

Mrs Radic points to stacks of wood, cut from the snow-covered grounds at Toponica. This hospital and scores of other institutions in the shattered former federation are the quiet casualties of the war.

"These people are the least to blame. They cannot defend themselves," she says.

UN envoy hopes to restart Bosnia talks

By Frances Williams in Geneva

Mr Thorvald Stoltenberg, the United Nations mediator on former Yugoslavia, said yesterday he hoped next Monday's meeting between European Union foreign ministers and the warring factions in Bosnia would provide the basis for fresh talks leading to a political settlement.

He said the EU initiative, which offers a phase-out of sanctions on Serbia and Montenegro if more land is returned to the Moslems by Bosnian Serbs, was "of imperative importance" in seeking to restart the talks. Negotiations on dividing Bosnia into three ethnically-based mini-states collapsed in September over Moslem demands for 3-4 per cent more territory.

Other issues for the meeting on Monday, which Presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia will also attend, concern guarantees of access for humanitarian aid convoys in Bosnia and the establishment of what Mr Stoltenberg called a modus vivendi between Croatia and Serb-controlled areas now under UN protection, beginning with a ceasefire.

Officials from the UN refugee agency said yesterday that after three days of relatively trouble-free aid deliveries into central and eastern Bosnia, convoys were again experiencing delays and blockages by Bosnian Serb forces.

● The Georgian government and the breakaway region of Abkhazia are to hold UN-sponsored peace talks in Geneva.

Gonzalez in bid to avert general strike

By Tom Burns in Madrid

Spain's prime minister, Mr Felipe Gonzalez, is to meet union leaders and employers representatives next week in a bid to ease mounting industrial tension in Spain and avert a possible general strike.

Mr Gonzalez's mediation bid came the day after hundreds of thousands demonstrated in 50 Spanish cities to protest against the government's plans to reduce dismissal costs and remove rigidities from domestic labour legislation. The unions are now considering a 24-hour national stoppage before Christmas.

Officials said the prime minister would meet both sides on Thursday but the cabinet still planned to draft emergency labour market legislation next week. Talks between the government and the unions yesterday and between the government and employers the day before have failed to establish a consensus on what Mr Gonzalez has termed a "social pact" to restore competitiveness and reduce unemployment.

The urgent need for initiatives to rekindle the economy was underlined by a sharp rise in unemployment between July and September which pushed the jobless total up to 3.5m, or 22.9 per cent of the working population.

Figures for the three monthly employment survey conducted by the national statistics institute showed that 150,000 more Spaniards were seeking a job at the end of the third quarter.

According to separate monthly data released by the labour ministry, which does not include first time job seekers, 96,000 signed on for unemployment benefits in October, raising the total number registered as jobless by the ministry to 2.6m or 17.2 per cent of the working population. October saw the highest monthly rise since 1982.

The government plans to reduce unemployment by introducing part-time labour contracts and apprenticeship schemes as part of its emergency package. The unions view such initiatives as undermining the fixed employment guidelines of the domestic labour legislation. A government proposal to speed up redundancy procedures is meanwhile termed as "too weak" by the employers and as "a provocation" by the unions.

Masked activists from the fundamentalist Hamas organisation adjust their uniforms during a march in the Gaza strip yesterday Reuter

Hamas killings continue in Israel

By David Horovitz in Jerusalem

Less than 48 hours after killing the military commander of the Hamas Islamic fundamentalist group in Gaza, Israeli forces yesterday shot dead another leading Hamas militant.

News of the death of Khaled Zer was suppressed yesterday by the Israeli military censor, presumably in an effort to avoid further infuriating Palestinians angered by Wednesday's killing of Imad Akel, commander of the Izzedine al-Qassem military wing of Hamas, of which Zer was also a member.

Jerusalem police sent reinforcements to the Temple Mount yesterday morning, where 20,000 Palestinians gathered for Friday prayers, and extra troops were deployed, too, in the Gaza Strip. Although there were reports of clashes between Palestinians and Israeli troops, the violence was tame by comparison with Thursday's disturbances, in which one man was killed, another critically wounded and more than 30 others hurt.

Israeli officials said Zer had been shot dead after seeking to escape his Israeli pursuers early yesterday in the village of Surbaher outside Jerusalem. They said a rifle was found by his body.

Military sources said he had been involved in the murders of two Israeli soldiers and a civilian.

The Israeli army also released news last night that troops shot and killed another Palestinian militant, Salim Sabah, several days ago. Sabah is alleged to have killed a Jewish settler in the West Bank earlier this month.

This spate of killings of "wanted" Palestinian militants underlines the Israeli determination to track down the most extreme opponents of the Israeli-PLO autonomy accord, in advance of its scheduled implementation on December 13.

But the intensified Israeli military activity is causing growing hostility to the accord among Palestinians, while Hamas leaders, far from being deterred, are vowing to avenge the deaths by kidnapping and murdering Israeli soldiers in the coming days.

Against the backdrop of escalating hostility, Israel's Prime Minister Yitzhak Rabin said in a television interview that he did not regard December 13 – the date agreed by Israel and the PLO for the start of Israel's troop withdrawal from Gaza and Jericho – as "sacred."

It was important to ensure that all the autonomy issues were completely clarified before the deal was enacted, said Mr Rabin, "even if it takes a little longer."

In retort, at a press conference in Oslo, the PLO leader Yasser Arafat insisted: "I don't think we are in need of more time, if there is a will. .There is no reason to delay implementation of what we've signed."

IMF and Algeria to resume debt talks

By Francis Ghiles

OFFICIALS of the International Monetary Fund arrive in Algiers tomorrow for negotiations with the Algerian government after what has amounted to an 18-month freeze.

However, political instability will make it difficult for Algiers to reach an agreement with the IMF and its leading creditors on the country's $26bn foreign debt.

As soon as he was appointed prime minister three months ago, Mr Redha Malek made public his wish to reach agreement with the IMF and Algeria's leading foreign creditors. Servicing the debt will cost $9.4bn this year, absorbing 83 per cent of exports of goods and services.

Loosening the noose of debt repayments is thus key to increasing economic activity which depends on the imports of raw materials and semi-processed goods.

Any agreement with the IMF depends on the ability of Algerian leaders to implement bold domestic reforms. A reform package was launched in 1989 which opened up the country to foreign investment, abolished state monopoly of foreign trade and devalued the dinar.

However, Mr Malek's immediate predecessor, Mr Belaid Abdessalam, put these reforms into reverse gear, thus compounding the country's economic woes.

Economy minister Mourad Benachenhou was reported by the Algerian Press Service yesterday as saying he favoured a rescheduling of the country's foreign debt, although he said all options "remain open".

Brazil tries to wipe out deficit

By Angus Foster in Sao Paulo

Brazil yesterday unveiled its toughest planned budget cuts in recent memory as finance minister Mr Fernando Henrique Cardoso pledged once again to tackle the country's annual inflation rate of close to 2,000 per cent.

Mr Cardoso outlined spending cuts and revenue measures to wipe out a projected $22.2bn deficit and balance next year's budget. The main savings will come from the government's personnel budget, which Mr Cardoso hoped to cut by $3.74bn, and from the transfer to local government of spending on health and basic education. This will save the federal government up to $8.4bn.

"There has probably never been a government attempt like this in this country to erase a budget deficit," Mr Cardoso said. Brazil's budget deficit has in the past been covered by the government's inflationary practice of issuing short-term securities. Mr Cardoso said this would no longer happen.

The budget, which will be formally presented to President Itamar Franco and Congress next week, is expected to be the first of several measures to be announced over the coming months designed to try to stabilise the country's economy.

There is speculation Mr Cardoso will next week announce a new price index. This would be seen as the first step towards linking wage and price increases to the exchange rate which it is hoped would bring inflation down next year.

The budget won cautious backing from the government's coalition partners. But analysts pointed out that some of the spending cuts would be unpopular and difficult to implement, especially with presidential and congressional elections next year.

For example, one of Mr Cardoso's proposals would give the central government greater influence over money which otherwise goes straight to states and municipalities which may block the proposal, which needs a constitutional amendment to become law.

Mr Cardoso will also rely on congressional approval for a planned increase of 5 per centage points in all income taxes to give a new top rate of 35 per cent.

The budget is partly designed to please the International Monetary Fund which is holding off approving a restructuring of Brazil's commercial foreign debt until the country can demonstrate it is tackling its economic problems.

A balanced budget is thought to be one of several key requirements the IMF wants before it will approve the restructuring deal.

Even though the IMF has yet to approve the deal, Mr Cardoso is due to start signing the restructuring agreement with Brazil's private bank creditors on Monday in Toronto. He is expected to announce the next steps in his economic programme when he returns to Brazil next week.

Other measures to be announced included a 3 per cent tax on overseas fund raising, such as bond issues. This was designed to stop speculative foreign investment flows.

Also, a recent surge in foreign investment had inflationary effects because Brazil's central bank is still obliged to buy all foreign currency coming into the country, and issue local currency as payment.

NEWS IN BRIEF

Germany bans Kurd militants

The German government yesterday banned the separatist Kurdistan Workers Party, the PKK, and 35 related groupings, calming popular fears that Germany was becoming a breeding ground for foreign extremism, Ariane Genillard reports from Bonn.

Police also raided over 100 Kurdish homes and offices across the country. The PKK, which demands independence for Kurdistan in south-east Turkey, is believed to have orchestrated a wave of attacks against Turkish properties across Europe. The move was welcomed by the Turkish community in Germany whose members have often violently clashed with resident Kurds.

Yemenis kidnap US envoy

A US diplomat has been kidnapped in the Yemeni capital Sanaa, apparently by tribesmen from a lawless region at odds with an American oil company, Reuter reports from Sanaa. Mr Haynes Mahoney, director of the US Information Service office in Sanaa, was snatched on Thursday evening as he went to his car after a British Airways party at a downtown hotel.

Hewson to attend inquiry

Dr John Hewson, Australia's the opposition leader, and Mr Conrad Black, the Canadian media proprietor, are expected to appear before a Senate inquiry into ownership of the John Fairfax newspaper group, Bruce Jacques reports from Sydney.

Dr Hewson's decision to appear removed a threat to the setting-up of the inquiry which requires co-operation between the Opposition and the Democrats who can together control the Senate. The prime minister, Mr Paul Keating, has so far refused to appear before the inquiry which will examine allegations of commercial and political trade-offs between himself and Mr Black before the Australian elections in March this year.

Mr Black claims that Mr Keating demanded "more balanced" political coverage from Fairfax newspapers as a precondition to consideration of any increase in Mr Black's interest in the group.

Hosokawa still voters' favourite

By William Dawkins in Tokyo

The popularity of Mr Morihiro Hosokawa's cabinet continues to defy economic gravity, according to a poll published yesterday.

A survey of 2,149 people by the Yomiuri Shimbun newspaper gave the cabinet 73.5 per cent support. This is up a fraction from a month ago, during which time Japan's recession has deepened.

The public shows no signs yet of blaming the divided seven-party coalition for failing to respond to widespread calls for a decisive step, such as an income tax cut, to stimulate the economy.

The prime minister's own party, the Japan New Party, saw a nearly full percentage point increase in popularity from September to October, to 15.5 per cent, making it Japan's second most popular party.

This is likely to reflect the straight-talking Mr Hosokawa's personal appeal, rather than his party's policies. The JNP supports liberalisation of the rice market, controversial with a large slice of the electorate, and otherwise pursues much the same policies as the opposition LDP.

Over the same period, the LDP's popularity has risen slightly from 23.8 per cent to 24 per cent, the highest score by a single party. This suggests, oddly, that the LDP has lost no support as a result of its humiliating defeat over the government's political reform plans in the lower house of parliament, two days before the Yomiuri poll was taken.

In an indication of just how fluid Japanese politics has become since the LDP's fall from power last July, yesterday's poll shows that 35.2 per cent of respondents support no party.

Mercury victims win court battle

By William Dawkins

A Japanese district court yesterday ruled that government can be held liable for industrial pollution, setting an important precedent in environmental law.

The court, in Kyoto, awarded damages of Y193m (£1.2m) to 38 people who suffered mercury poisoning 37 years ago in a disaster has become a symbol of Japan's environmental conscience.

It was caused when a factory owned by Chisso, a chemicals group, pumped polluted sludge into the sea near Minamata, a southern Japanese fishing village in the prefecture where Mr Morihiro Hosokawa, the prime minister, later became governor.

It was not until eight years ago that the victims managed to bring their case to court. Out of 141 plaintiffs, eight have died waiting for Japan's tortuously slow legal system to produce an answer, and one has withdrawn.

This was despite Mr Hosokawa's efforts to obtain a quick out-of-court settlement during his tenure as governor of Kumamoto prefecture.

The Kyoto court yesterday ruled that the prefectural and national governments, as well as Chisso, failed to take proper action to prevent the outbreak and spread of so-called Minamata disease, paralysis caused by eating fish poisoned with mercury.

The main points at issue were whether government could be declared negligent and whether the victims really were suffering from mercury poisoning.

Friday's was the fifth such court ruling concerning the mercury poisoning.

The ruling affected only 46 plaintiffs. Other separate cases are still pending.

Deadlock in talks on Hong Kong

By Tony Walker in Beijing

China and Britain remained far apart on the vexed issue of democracy in Hong Kong after the first day of the 17th round of talks on arrangements for forthcoming elections.

Mr Christopher Hum, Britain's negotiator, said there was "still a wide gap" between the two sides. He would not be drawn on whether the talks were nearing collapse.

The latest round will conclude in Beijing today. China has said it is anxious to reach an agreement, but has shown little flexibility on proposed arrangements for municipal elections due in 1994, and a Legislative Council (Legco) poll in 1995.

Beijing has rejected a plan by Hong Kong Governor Chris Patten to extend the franchise for elections in Hong Kong.

Water festival leaves Phnom Penh businesses adrift

Iain Simpson reports on how Cambodian officials found a perfect excuse to oust riverside traders and residents

The owners of floating restaurants and brothels along the riverside in central Phnom Penh have little to celebrate at Cambodia's water festival this year. They have been ordered by the city council to move their businesses to make way for spectators at boat races this weekend. Dozens of small businesses and hundreds of people living in shacks along the river bank have also been told to move as part of a "make Phnom Penh beautiful" campaign.

The water festival marks a bizarre annual event in Cambodia, when the Tonle Bassac river reverses direction. During the summer, the waters in the lower reaches of the river back up and it flows away from the sea towards the vast inland lake, Tonle Sap.

Then, in November, the river reverses direction and again flows out to sea. Every year this is the cue for a weekend of national celebrations and for fiercely competitive boat races in the capital, Phnom Penh.

For months, the Phnom Penh authorities have wanted to move the dozens of boats and shacks along a mile-long stretch of the river in front of the Royal Palace. The festival provided a perfect excuse.

At the start of the week, all the people living and working along the riverside were told they had to move their boats and abandon their shacks and buildings by the weekend. They held out, but yesterday scores of police arrived, backed up by armed police and bulldozers, to clear the area.

They towed away the remaining boats and demolished shacks and small buildings, while people scrambled to gather up their few belongings. The only buildings to escape were three petrol stations, which would have been too hazardous to destroy, and a restaurant in a solidly built house, which the owner's neighbours said he had bribed the police to leave.

By evening, the only remain evidence of the thriving businesses on the river bank were a handful of signboards and a few unprotected electricity cables.

The city government says it wants to turn the mile-long stretch of river into a city garden, to complement the large square outside the Royal Palace. Several months ago, environmental consultants were asked to draw up a plan to clear the river area of dwellings and small businesses as part of a fight against pollution.

Most prominent among the businesses which have been ordered by the city to clear the area is the Phnom Penh Floating Hotel, a luxury cruise ship which has been moored on the river bank for the past two years. The ship, which is owned by investors from Thailand, is one of the most expensive hotels in Phnom Penh.

Its owners were given just three days notice to pull up their anchor and leave their river front site before the weekend festivities. However, they discovered that they could no longer start the ship's engine, so talks with the city authorities are continuing.

In previous years, a few floating restaurants have been forced to leave their sites for the three days of the water festival, but have then been allowed to return. This year, the city council is determined that they will not be allowed to return.

Many owners of floating restaurants and brothels along the river are determined to return to their prime locations and have pledged that they would petition the council on Monday morning.

According to one policeman sent to clear the site, "if they pay enough, they will be allowed to come back. This is Cambodia."

Management saves Daf's parts operation

By Kevin Done, Motor Industry Correspondent

The UK components operations of Daf, the failed Dutch commercial vehicle maker, have been rescued from receivership by a management buy-in team, which has made secure 510 jobs in Glasgow and Leyland, Lancashire.

A new company, Albion Automotive, has been formed to take over the former Albion axle plant in Scotstoun, Glasgow which employs 330 people, as well as the Leyland components plant which employs 180.

The company will be led by Mr Dan Wright, formerly managing director of Fleming Thermodynamics, an engineering consultancy based in East Kilbride, Lanarkshire, and now a subsidiary of Motherwell Bridge, the engineering group.

The management team has secured backing of about £12m.

Bank of Scotland is providing long-term finance and overdraft facilities of about £5m, while selective regional assistance from the Scottish Office will add up to about £1.5m. Additional funding is being provided by the Glasgow Development Agency and Strathclyde Regional council.

Equity backing of close to £4m is being provided by the syndicate of former Daf creditor banks led by ABN-AMRO of the Netherlands.

The bank syndicate is providing venture capital finance through the Leyland Daf receivership, led by the joint administrative receivers, Mr Murdoch McKillop and Mr John Talbot of accountants Arthur Andersen.

The rescue of the two operations almost completes the restructuring of the former Leyland Daf truck and van operations in the UK after the financial collapse of Daf in February.

About 2,700 of an original 5,500 UK jobs at Leyland Daf have survived.

The Birmingham van plant and the Leyland truck plant have been rescued by management buy-outs. The parts operation in Chorley was bought by a management buy-in team and the sales and marketing activity in Thame, Oxfordshire was taken over by Daf Trucks in the Netherlands.

Mr Wright said Albion Automotive would have an initial turnover of about £30m. The workforce has supported the rescue by agreeing to a 5 per cent pay cut and a far-reaching package of new work practices.

The company has secured contracts of up to six years to supply truck and van axles to Leyland Trucks and Leyland Daf Vans, as well as truck and bus chassis components and piping to Leyland Trucks and Daf Trucks.

The company plans to develop in the fields of vehicle chassis and driveline components through joint ventures and acquisitions.

Gilt sale 'clue' to tax rises in Budget

The Bank of England surprised financial markets yesterday by announcing a gilt auction for December 8, triggering speculation that next week's Budget would raise taxes by a large amount, Peter Marsh writes.

The Bank said an unspecified amount of bonds in the maturity range between 2002 and 2006 would go on sale, confounding expectations that the next auction would not be held until January.

The announcement sparked a surge of buying interest in long-dated gilts, which closed last night up more than half a point on the view that the Budget will be positive for gilts.

Many gilt investors would like Mr Kenneth Clarke, the chancellor, to raise taxes on Tuesday by about £3bn to curb the £50bn fiscal deficit. A tightening of this order would be considered good for gilts because it would reduce the volume of bonds to be issued over the next two years.

The Bank will announce on the day of the Budget the amount of gilts to be sold on December 8 and the exact maturity.

The gilt market believes the Bank will decide to sell £2.5bn to £3bn of gilts in the auction.

British Coal in talks on pit tender

British Coal said it had started negotiations with Mr Malcolm Edwards, former commercial director, on his tender to restart mining at Coventry colliery.

It said it wanted an agreement as quickly as possible on a lease and licence.

Coventry is only the second of 20 closed collieries put out to tender by British Coal to reach the negotiation stage. The other is Clipstone in Yorkshire, where agreement has been reached in principle for RJB Mining to resume mining.

Drop in fraud loss on credit cards

The cost of fraud on credit and debit cards fell by 17 per cent in the first six months of the year because banks and retailers tightened security, the Association for Payment Clearing Services said yesterday.

Losses due to fraud fell by £15m to £71m compared with the first half of 1992. Among the measures to cut fraud has been a increase in the proportion of transactions that are electronically checked.

Holiday company fined £3,500

Falcon Holidays, a subsidiary of Owners Abroad, the holiday company, was yesterday fined £3,500 for making bogus promises in a brochure.

The company admitted three breaches of the Trades Descriptions Act at Lewes Magistrates' Court in Sussex.

The court heard that a brochure had made inaccurate claims about the quality of the beach and leisure facilities at Cala Canutells, in Menorca.

Fall in bank mortgage lending

New mortgage lending by banks fell last month in spite of their attempt to increase their share of the mortgage market. The fall is further evidence that the recovery in the housing market remains hesitant.

The value of new mortgages approved in October fell to £1.45bn from £1.53bn in September, and the number of new loans fell from 31,378 to 29,741, according to British Bankers' Association figures.

PM backs Lilley on welfare reform

By James Blitz

The prime minister yesterday gave strong backing to a speech earlier this week by Mr Peter Lilley, social security secretary, in which he called for wide-ranging reform of the welfare benefits system.

Mr John Major said it was right to point out that the costs of many aspects of welfare were outstripping economic growth across the western world.

He said: "What we need to do to maintain the welfare state is to make sure that we concentrate wealth where it really needs to be."

But Mr Lilley's speech, in which he set out a vision for how the "welfare state" could be turned into a "welfare society", drew vehement criticism from opposition politicians, who regard it as a precursor to drastic benefit cuts in next week's Budget.

Addressing Young Conservatives earlier this week, Mr Lilley emphasised the need to encourage people to make provision for their retirement by means of occupational pension schemes.

He also stressed that the £80bn social security budget, Whitehall's largest spending programme, would have to be contained in coming years.

Mr David Blunkett, shadow health secretary, last night attacked what he called the "DIY benefits society" proposed by the minister, and warned that it would trap people in poverty and homelessness.

"Peter Lilley is trying to destroy the idea of a modern welfare state which raises people's horizons," he said. "In cancelling that idea, he is hoping to trap people in homelessness and poverty."

Mr Donald Dewar, the shadow social security secretary, also criticised the speech, saying that under Mr Lilley the welfare state was in danger of becoming a stigma-ridden "second-rate safety net".

"Next week in the Budget many of the sick and vulnerable face eviction from invalidity benefit – and the unemployed could have their benefits slashed," he said.

Mr Lilley said in a radio interview yesterday, however, that the government would continue to stand by its commitment to maintain child benefit.

"We are committed to maintaining child benefit," he said. "We have a clear manifesto pledge. And I am very old-fashioned, as you know, about manifesto pledges."

Mr Lilley's speech was the latest attempt by a minister to focus public debate on a long-term review of the welfare state.

In recent months Mr Michael Portillo, the chief secretary to the Treasury, has been conducting a review of welfare spending.

The speech also gave the strongest indication yet that the government is considering the introduction of an objective medical test as a means of receiving invalidity benefit.

From hot commodity to consumer durable

Low inflation will stop homeowners making large speculative gains in the 1990s, says **Andrew Taylor**

The economic conditions which gave rise to large house-price rises in the 1970s and 1980s are unlikely to be repeated even when the recession ends, say an increasing number of mortgage lenders, estate agents and housebuilders.

They say the low inflation environment of the 1990s will prevent people making large speculative gains simply from owning their own homes.

High real interest rates, tougher lending criteria by banks and building societies and the experiences of purchasers who lost money buying homes in the late 1980s have conspired to change radically the climate in which the housing market operates.

Mr Norman Fowler, Conservative party chairman and chairman of the National House-Building Council, warned buyers this week that homes should not be considered as "a commodity for speculation" but as consumer products, to be lived in and used.

Yet the initial cost of monthly mortgage repayments in relation to average earnings fell this week to the lowest level for 15 years. The basic mortgage interest rate – after the latest cuts by building societies and banks – is the lowest since 1968.

Simple sums by Halifax building society and Mr John Wriglesworth, housing analyst at stockbrokers UBS, show how much the market has changed since then.

A family buying an average priced home for £4,650 in 1968 would today own a property worth about £65,000, even after recent price falls. Interest and capital repayments on a 100 per cent mortgage would have been £13,670 over the 25 years. In today's money these repayments would still be only £39,568.

The resulting profit of more than £25,000 compares well with other forms of investment. If the monthly repayments had been invested at 10 per cent the family would have earned only £49,000 – and would still have had to pay for a roof over its head.

Similar calculations on a house bought for £16,300 in 1978 show that the family would have repaid £56,200 in present day values over 15 years. This still leaves a profit of almost £9,000 on a property now worth £65,000.

One reason why buying a house was more attractive in the 1970s than in 1980s was that annual wage growth outstripped average mortgage rates in all but two years between 1968 and 1981.

Since 1981 mortgage interest rates have consistently remained higher than annual wage increases. But this did not deter house buyers, since the cost of borrowing was more than compensated for by the annual rise in house prices.

This was encouraged by deregulation early in Mrs Thatcher's term, which set banks free to compete with building societies. Housing loans doubled between 1980 and 1982 and doubled again by 1987. The weight of money drove up house prices.

Since 1981 the average price of a house has risen by 162 per cent compared with a 112 per cent rise in the retail price index and a 143 per cent increase in average earnings.

House price falls since 1989 have left an estimated 1.3m people with properties that are worth worth less than the money borrowed to buy them.

Homeowners in southern England or East Anglia who have seen the value of their properties fall by 30 per cent since buying would have to wait until 2001 to get their money back – assuming that prices rise by 5 per cent a year between now and 2000.

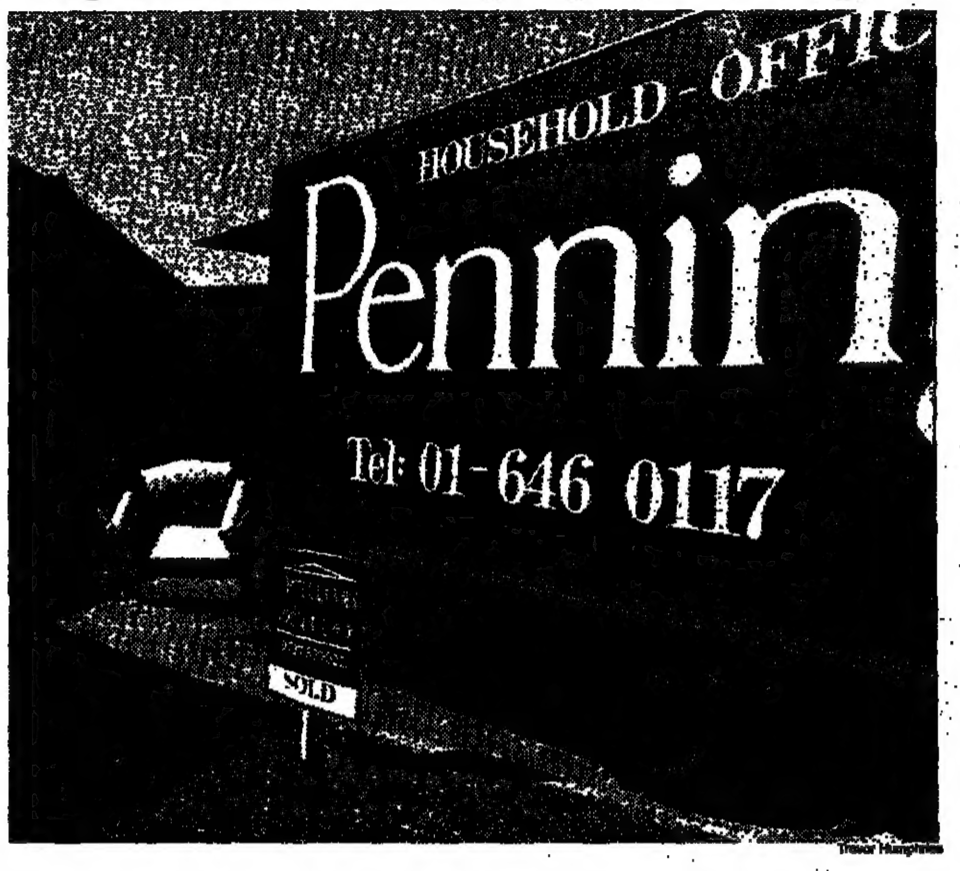
In real terms – if inflation is taken into account – it is unlikely they will ever recover their money.

Mr Wriglesworth said: "It is estimated that another 1.5m people will have difficulty in moving because house price falls mean they cannot recover enough cash to provide an acceptable deposit for a mortgage. Experiences like these will continue to scar the market even if conditions improve.

"Nonetheless it is still worth buying a home while renting costs about the same as mortgage repayments."

The implication for the market is that those who need to move will continue to buy. Those with less pressing reasons may be put off.

Prices are likely to rise more slowly in this climate while annual transactions, which have fallen sharply during the recession, are unlikely to recover to previous levels when the market picks up.



Trevor Humphries

Scenes like this are likely to remain rarer than in the late 1980s, even when the market recovers

House prices and earnings: how they have changed

	Average house price	Average annual earnings	Annual change in price	Annual change in earnings	Avg basic mortgage rate	RPI
1968	£4,650	£1,226	+8.9%	+7.8%	+7.46%	4.7%
1969	£4,856	£1,320	+4.3%	+7.8%	+8.08%	5.4%
1970	£5,180	£1,395	+7%	+11.5%	+8.58%	6.4%
1971	£6,130	£1,752	+18.1%	+9.8%	+8.59%	9.4%
1972	£8,426	£1,964	+37.4%	+12.1%	+8.26%	7.1%
1973	£11,120	£2,249	+32.1%	+14.5%	+9.59%	9.2%
1974	£11,380	£2,659	+4.6%	+18.2%	+11.05%	16.1%
1975	£12,119	£3,320	+7.2%	+24.3%	+11.08%	24.2%
1976	£12,999	£3,823	+7.3%	+15.2%	+11.06%	16.5%
1977	£13,922	£4,170	+7.1%	+9.1%	+11.05%	15.8%
1978	£16,297	£4,749	+17.1%	+13.9%	+9.55%	8.2%
1979	£21,047	£5,505	+29.1%	+15.9%	+11.94%	13.4%
1980	£24,307	£6,725	+15.5%	+22.2%	+14.92%	18.0
1981	£24,816	£7,497	+2.1%	+11.5%	+14.01%	11.9%
1982	£25,553	£8,165	+3%	+8.9%	+13.3%	8.6%
1983	£28,593	£8,692	+11.9%	+6.5%	+11.03%	4.6%
1984	£30,812	£9,447	+7.8%	+8.7%	+11.84%	4.9%
1985	£35,188	£10,069	[illegible]	+6.6%	+13.21%	6.1%
1986	£38,121	£10,796	[illegible]	+7.2%	+11.83%	3.4%
1987	£44,220	[illegible]	+16%	+7.9%	+11.54%	4.1%
1988	£54,280	£12,782	+22.7%	+9.7%	+10.97%	4.9%
1989	£62,135	£14,014	+14.5%	+9.6%	+13.65%	7.8%
1990	£66,695	£15,371	+7.3%	+9.7%	+15.12%	9.5%
1991	£65,583	£16,817	[illegible]	+9.4%	+12.98%	5.9%
1992	£63,425	£17,907	-3.3%	+6.5%	+10.64%	3.7%
1993	£64,700*	£18,409	+2%	+3.8%	na	1.5%*

*Estimate. Source: Building Societies Association

Tees Valley development body lobbies businesses

By Chris Tighe

The battle was launched this week for the hearts and minds of business people in Cleveland, one of the counties which faces abolition under the local government review.

At the Belasis Business Centre in Billingham, the five borough councils which will gain unitary status if the Local Government Commission's final recommendations for Cleveland and Durham are accepted, launched plans for a Tees Valley Development Company, a partnership with the private sector to market the area, boost inward investment and attract European funding.

More than 130 members of the business community attended Wednesday's TVDC launch. The five boroughs, Darlington, Hartlepool, Langbaurgh on Tees, Middlesbrough and Stockton-on-Tees, said afterwards that the principle behind their plans had local businesses' support.

But only two days earlier a delegation including the Confederation of British Industry, the Teesside Chamber of Commerce and the Teesside Small Business Club – bodies representing more than 2,000 local companies – saw Mr John Gummer, environment secretay, in London to press for a single Teesside-wide authority.

The delegation argued that the LGC's recommendation to split Cleveland, except Hartlepool, between three unitary boroughs – Stockton, Middlesbrough and Langbaurgh – would be costly and unnecessary. It would also, they said, lead to division and weaken the area's voice in dealing with government, Europe and potential inward investors.

The strongest public champion of a new Teesside authority is Sir Ian Wrigglesworth, northern CBI chairman. "I have never known an issue which has united the business community as strongly as this," he says.

He is outspoken about the dangers of unitary authorities, because he claims it is inconceivable that a borough would willingly forego a job-creating investment to a neighbour or volunteer for an incinerator development. The boroughs insist that suggestions they have squabbled in the past are "an absolute myth".

The private sector would have half the 20 seats on the TVDC's board of directors. The other 10 would be councillors.

The TVDC, which will aim to create up to 1,900 jobs in its first two years, would be run by a chief executive with nine staff and funded by a £2m annual budget from the five boroughs. The economic development and planning framework in which it operates would be set by a joint committee of councillors from the five boroughs – which, Sir Ian says, could also cause problems for business.

It is far from certain the government will endorse the LGC's recommendation after the consultation period expires next month. Whilst the Cleveland proposals meet the government's wish for unitary authorities, the LGC's Durham recommendations retain the existing two-tier structure, except in Darlington. Mr Gummer may ask the LGC to look again at Durham; and that might affect Cleveland.

RAF to pay woman £172,912

An industrial tribunal in Leeds yesterday made a record-breaking award of £172,912 to Mrs Nichola Cannock, a mother of three who was dismissed from the Royal Air Force nine years ago for becoming pregnant, Robert Taylor writes.

This is the highest amount won by a woman from the armed services in a sex discrimination case. Mrs Cannock's counsel told the tribunal hearing that the case was "highly unusual" because she had impressive engineering qualifications.

She worked 12-hour shifts helping to prepare and maintain Victor Tanker planes flying from RAF Marsham to serve in the Falklands war.

The Ministry of Defence agreed that Mrs Cannock should receive compensation for her dismissal, which it said had breached the sex discrimination laws. But it proposed only just over £12,000.

Last month Mrs Deborah Miller, who used to serve in the RAF, won £33,000 at an industrial tribunal for losing her job because of pregnancy.

Doubts cast on Matrix trial

By Richard Donkin

A senior civil servant yesterday cast doubt on the basis of the Matrix-Churchill trial concerning exports of arms to Iraq, which led to the establishment of the Scott inquiry. He admitted that the case, which collapsed in November 1992, could have been "blown out of the water" before it went ahead.

The admission emerged as the Scott inquiry began to focus upon one of the prime arguments used by Customs and Excise to mount their prosecution against three executives of Matrix-Churchill, the Midlands machine tool manufacturer.

The Old Bailey prosecution hinged on a contention by Customs and Excise, based on documents and specifications obtained at the factory, that the machines were dedicated to military manufacturing.

Lord Justice Scott suggested during the inquiry that both military and industrial lists used by the Department of Trade and Industry to draw distinctions between uses when considering export applications could have covered machines that had such special design features. Because there was no requirement to state the specific end use of the machines on the export licence application, the distinction between military and industrial use could not readily be drawn.

Mr Eric Beston, head of the DTI's export control branch from 1985 to 1990, said in evidence: "That is something I have never thought about. That could perfectly well have blown the Customs case out of the water." He added: "I wish I had thought about that at the time."

Earlier Mr Beston told the hearing that he believed the argument that the tools were specially designed was based on a narrow technical approach which he had not experienced previously. While he admitted he was familiar with the "special design" concept, he said he believedand "no doubt made aware" to Customs that they had taken "a rather technical approach to the framing of the action".

Westminster reappraises the benefits of a royal heir

Michael Cassell looks at the Prince of Wales' commercial role overseas

If the Prince of Wales intended this week to refocus debate on more serious aspects of his responsibilities, he cannot have been disappointed.

His remarks, which made known his frustrations over lack of government support during overseas royal visits, created an instant stir around Whitehall and Westminster which seems certain to lead to a reappraisal of the prince's potential role as an ambassador for Britain.

Ministers were this week quick to acknowledge the value of the prince in helping promote Britain in important overseas markets. They were equally ready to accept that more could be done to fully exploit his unique position.

Within hours of the prince's views becoming known on Monday Mr John Major was pledging his support for moves to improve the commercial effectiveness of the heir to the throne's overseas visits.

But when the dust has settled, what is the real scope for ensuring that the value of the prince, in the context of helping to promote British companies and products, can be further enhanced?

Both the Foreign Office and the Department of Trade and Industry are anxious to emphasise the support they already provide for overseas royal visits. But if the programme of visits has in the past been seen by officials more as a time-consuming nuisance than a positive opportunity, the prince's remarks and the political fall-out will bring a renewed effort to consider such trips in a more strategic light.

With Downing Street "keen" to do everything possible to help, an improvement in co-ordination between departments when visits are being planned and the provision of ministerial back-up during tours is on the agenda.

The DTI is examining ways of better exploiting the prince's apparent readiness to help wave the flag for Britain and Mr Richard Needham, the trade minister, will soon discuss ideas directly with the prince.

St James' palace has stressed that it does not see the issue necessarily as one of financial resources but of a more supportive approach to reflect a better appreciation of the potential value of overseas royal visits to the economy.

But some in business were this week anxious to emphasise that the prince himself will have to demonstrate a greater flexibility and readiness to participate in more commercially-oriented overseas exercises.

The constraints placed on him by royal protocol were exposed this week, when it emerged that the prince will be in Australia in January at the same time as a business mission led by Mr Michael Heseltine, the trade and industry secretary. They are unlikely to meet up, however, because royal protocol dictates that the prince cannot be seen to participate directly in trade promotion in countries which recognise him as heir to the throne.

As one of his aides has emphasised: "Though he can do his bit for Britain, he is not a salesman."

But according to one of Britain's most senior industrialists, who has participated in numerous overseas trade missions, some of them involving the prime minister: "In the past, he [the prince] has proved extremely choosy about the sort of missions abroad in which he is prepared to participate. He generally only wants to take part in events directly linked to the organisations he has helped start or in which he is directly involved. If that attitude is now a thing of the past, it is very good news."

Several in business this week quoted the example of the Duke of Kent, vice-chairman of British Overseas Trade Board, as an example of how a "hands-on" member of the royal family worked actively to assist the national exporting effort. The Duke of Kent, however, will not be the next king.

Another senior industrialist said: "I see no good reason why the prince should not head up trade missions in the same way the prime minister does. He could not be expected to negotiate but then neither is the prime minister.

"We are talking about a modern monarchy trying to find a modern role. It cannot have it both ways, simultaneously trying to cling to past conventions."

Smithfield gets two council seats

By John Authers

At least two meat traders from the Smithfield meat market are assured of places on the council which controls the City of London.

The next election will take place on December 6, but the Smithfield tenants are already guaranteed at least two seats, because in one ward which has four seats on offer, four of the six candidates are traders.

Smithfield candidates are standing in 10 wards as part of their campaign against the rents they are being asked to pay to fund refurbishment of the market.

In a statement, the traders said two sitting members had withdrawn "rather than face defeat by the Smithfield candidates".

This year's elections will be the most hotly contested for more than 50 years, with elections required in 13 of the 25 wards – normally only three or four wards are contested, and some have not had a contested election for more than 25 years.

The Corporation of London, which has tried to encourage businesses to make use of the franchise, said the traders were quite entitled to take their stand, but added that the traders' campaign was "quite inappropriate for resolving what is essentially a landlord-tenant dispute".

FIA WORLD CUP 1993

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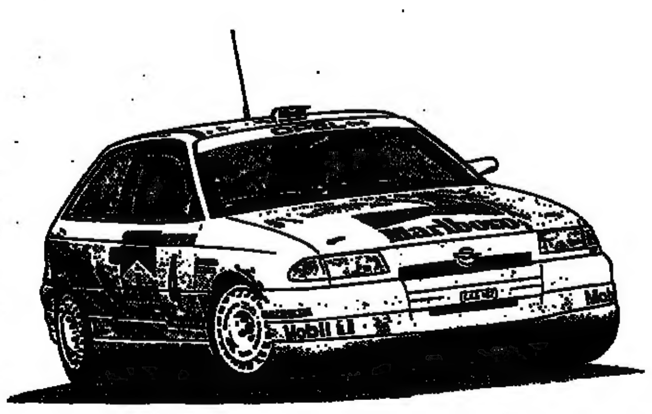

Opel wins the FIA Rallye World Cup for Manufacturers of Touring Cars. We'd like to congratulate the successful Opel Team Belgium with the Astra GSi pilots, Bruno Thiry and Stéphane Prevot, on their excellent performance. OPEL

London Tube appeals abroad for cable help

By Andrew Baxter and Charles Batchelor

London Underground yesterday appealed for technical help from big UK cable manufacturers and international subway train operators to repair its crippled system.

Managers turned to companies such as BICC as engineers struggled to locate faults in the 50-year old power supply cables for the Central Line.

Independent observers say commuters annoyed by this week's power failures should blame the government rather than staff.

After three days of disruption, consultants who have worked with Underground engineers said they were doing the best they could with available equipment. "If you've got cables that old it's reasonable to expect some problems," said one consultant. "I don't think it's fair to lay the blame on the managers or engineers. At the end of the day it comes down to funding."

Management systems on the Underground have been tightened, and in 1988 managers were given responsibility for a particular line. This has led to an improvement in the quality of the service, the Underground says.

Senior management reviews are conducted after incidents such as this week's breakdown. Procedures for dealing with passengers trapped in carriages in tunnels have been improved following previous shutdowns and worked much better this week, the Underground said. It has been keen to emphasise funding shortages. Earlier this year it published the details of an £8.5bn spending programme – nearly £900m a year over the next 10 years – which it said would be needed to create what it called "a decently modern metro" after decades of neglect.

This week's problems were the result of a 1,000-to-one occurrence which the Underground's traditional "belt-and-braces" approach to power supply – and other safety-related equipment – was unable to address.

The same cable that takes the power supply from the substation to the track is also used for the back-up substation, London Underground said yesterday. So, in the rare event of a fault in the cable, neither the main substation nor the back-up can be used. One consultant said it was "bad luck" that such a fault should occur, although the age of the equipment increased the chance of a problem. The Underground cannot afford the luxury of having hundreds of miles of back-up cabling.

The short-term effect is that, following further power failures yesterday, the Central Line east of Liverpool Street will remain closed this weekend.

The power failures raise the broader issue of government funding for the Underground and whether financial cuts are making it difficult for managers to spend adequately on "behind-the-scenes" investment when more high-profile spending is also needed.

One observer said: "When money is tight it is a fact of life that it is easier to get money for things that have a profile, such as new or refurbished trains and stations. Preventive maintenance tends to suffer in that situation...there's no kudos in replacing cables."

London Underground said yesterday that the cabling, some of which is 70 years old, should have been replaced 15 years ago. The equipment had served it well, and there was no reason to believe it was about to fail. But it would not compromise on safety if it thought that using old cables was a risk.

In contrast, some of the cabling for signalling on the Central Line is "life-expired" – along with the trains – and thus was given a higher priority on safety grounds. A £750m project is due to start next year to replace the line's trains, signalling and power cabling.

New trains are the most obvious evidence of increased spending, but the Underground said that other items were just as important.

One area of concern is the ageing system of pumps and drains, used to remove 3m gallons of rat and sewage-infested water each day. Much of it needs to be replaced, but lack of funds has forced the Underground to concentrate on "patching up" when things go wrong. The Railway Industry Association, the equipment suppliers' trade body, said it was concerned that a further reduction in government funding might be announced in Tuesday's Budget.

Downing Street dinners attacked

By James Blitz

Mr Robin Cook, shadow trade and industry secretary, yesterday attacked the prime minister's use of 10 Downing Street, his official residence, as a venue for fundraising dinners for the Conservative party.

Mr Cook said yesterday that Downing Street was a government building and not a private home which Mr Major could use as he pleased.

"If the prime minister is using it as an exclusive club to wine and dine Tory party paymasters, it demonstrates the arrogance of a party that has been in power for too long," he said.

Earlier this week the Financial Times revealed that a crisis in the Conservative party's finances had forced the prime minister to drop a self-imposed ban on entertaining elite groups of past and potential donors in the building.

It is understood that the prime minister reversed that decision in September, after a warning from two of the party treasurers – Mr Charles Hambro and Sir Philip Harris – that such events were vital to the party's drive to raise money to finance next year's European and local election campaigns.

Earlier this week Mr Major hosted the third Downing Street fundraising dinner in recent months.

The occasions have been kept a close secret because of acute sensitivity about Conservative party finances in the wake of the controversy about donations from Mr Asil Nadir, the fugitive businessman.

In a letter to the prime minister, Mr Cook requested Mr Major to provide him with a list of guests who have attended recent functions, and assurances that none of them has been appointed to any public body.

He also asked for a list of the forthcoming dates on which Downing Street was to be used for such events.

Spending cut at Arts Council

By Antony Thorncroft

Mr Peter Brooke, heritage secretary, yesterday asked the Arts Council to cut its administrative costs by 8 per cent, or £600,000, in the 1994-95 financial year.

This is the minimum reduction recommended by consultancy Price Waterhouse which examined the workings of the council this year. The council distributes government arts subsidies – £225.6m this year.

Mr Anthony Everitt, the council's secretary-general, said: "The council will still be able to carry out its core functions of supporting the arts, and at the same time develop its policy and advocacy role. It will, however, mean some reduction in the services that can be offered to the arts constituency."

The council may cut its 150-strong workforce by 30, mainly in secretarial and support posts. There could also be a reduction in its research and consultancy functions. It is hoped to make the savings by voluntary redundancies.

Mr Brooke confirmed the "arm's length principle" for arts funding, and that he considered "the long series of reviews of the structure of the arts funding system to be over".

Staggering: Sir Edwin Landseer's Scene In Braemar – Highland Deer is expected to raise £750,000 when it is sold at Christie's in March. The 8ft high painting was last in the saleroom in 1888 when it sold for £5,456. It is the Victorian artist's most important work to be auctioned since The Monarch of the Glen was bought in 1916. Photograph: Tony Andrews

Students exceed 1m for first time

By John Authers

Student numbers in UK higher education now exceed 1m for the first time, Mr John Patten, the education secretary, announced yesterday.

The education department's target for a third of 18 to 19-year-olds to enter higher education by the year 2000 has almost been reached already.

Using early statistics on the number of students who started degree courses in October this year, Mr Patten said 31 per cent of 18 to 19-year-olds entered higher education.

Mr Patten said: "During this period of recent rapid expansion, the average A-level achievements of new entrants have increased. All the indications are that the quality and standards in higher education have also been enhanced."

The Committee of Vice-Chancellors and Principals welcomed the news, which it said showed that the current level of funding was adequate. However the government should now set a more ambitious target, and a new system of tax-related loans might be needed, said the committee.

The Higher Education Funding Council (England) said that full-time students rose by 11 per cent to nearly 700,000, up from 625,000 last year.

However former polytechnics, which became universities last year, fared worse than had been expected. While the established universities took on 7 per cent more full-time students than last year (with a 21 per cent increase in part-time students), there was a fall of 1 per cent in numbers taken on by new universities.

However, sharp increases in recruitment over previous years meant that total numbers at new universities were still 11 per cent higher than last year. General higher education colleges in England, many of them now pressing for university status, saw numbers rise by 27 per cent overall, while numbers at specialist colleges rose 19 per cent.

In the Commons, Mrs Ann Taylor, shadow education secretary, welcomed the fact that more young people were staying on in higher education, but said it was a pity that graduates could not get the jobs they were qualified for. Unemployment among recent graduates was at 14 per cent, she said.

Miss Ann Widdecombe, junior employment minister, said graduate unemployment overall was 5 per cent, although it was 14 per cent for recent graduates. "That 14 per cent is a snapshot in time; it doesn't mean that all of them will stay unemployed," said Miss Widdecombe.

Regulation reinforced at Lloyd's

By Richard Lapper

Lloyd's of London yesterday moved to reinforce its senior management team by appointing Sir Alan Hardcastle, the former head of the government's accountancy service, to take charge of regulation at the insurance market.

Sir Alan will become chairman of Lloyd's regulatory board and deputy chairman of its governing council, replacing Mr Brian Garraway, who died in September.

Mr David Rowland, chairman of Lloyd's, said: "His wealth of experience will be invaluable in continuing to develop the new regulatory environment at Lloyd's."

A former senior partner of Peat Marwick, Mitchell (now KPMG Peat Marwick), Sir Alan, aged 60, became head of the government accountancy service in 1989.

Separately it emerged yesterday that Mr Rowland and Mr Peter Middleton, chief executive, have persuaded many of Lloyd's largest agencies to make voluntary donations to help settle out of court legal actions by 17,000 loss-making Names – individuals whose assets support the market.

The contributions vary from less than £100,000 for smaller agents to more than £1.5m for some of the largest, with the total collected amounting to at least £25m.

Lloyd's hopes to finance the bulk of its settlement offer to Names from two other sources: between £300m and £400m from errors and omissions insurers, which cover Lloyd's agents against awards for negligence and a contribution; and possibly about £400m from the Lloyd's central fund, which meets claims when Names are unable to fulfil their obligations.

Names will be offered a "bespoke" settlement depending on which loss-making syndicates they belong to, with the amount of compensation offered reflecting the chances of success of their separate legal actions and a series of other factors.

The agents' voluntary contribution, however, has stretched the resources of the 100 agents trading at the market. Many have seen their income shrink following the losses of recent years.

One chairman conceded that his agency had been forced to borrow to finance the payment and some smaller agents could be forced into insolvency.

One managing director said: "There are agents who are being asked for sums which will kill them. It is an extremely emotional issue."

Donations were calculated according to a complex formula which reflects the deductibles on agents' errors and omissions policies (the amount of each claim paid by the policyholder) as well as the exposure of agents to legal actions.

Merrett transfer, Page 10

IRA hardliners set peace deadline

Republican leaders are weighing the political gains of an agreement against the threat to morale, write **Tim Coone** and **Jimmy Burns**

Republican sources say that hardliners in the IRA are giving the peace initiatives less than a month before they publicly blame the British government for their failure and declare the process dead.

IRA leaders are reported to be weighing the political gains which could spring from a comprehensive agreement between Dublin and London against the risks to internal discipline and morale posed by the current de-escalation of activity which has, as yet, produced no political breakthrough.

Mr Mitchell McLaughlin, a Sinn Féin leader and a leading republican political strategist, said this week: "This situation could change tomorrow with the IRA using another bomb to signal they are back on the offensive... The war is still going on... and the bombing campaign could easily be resumed. This peace initiative is not open-ended. It is finite. There's no way it is going to develop into an indefinite ceasefire if London and Dublin do not move forward."

An uneasy lull in the violence after the recent atrocities has created a crucial breathing space in which the peace process embarked on by the British and Irish governments can develop. But there is also a growing belief that time is running out, and that should talks fail there may be a surge in violence which will match, and possibly exceed, the worst levels of the past 25 years.

Nevertheless the IRA has scaled down its operations since the bomb on the Shankill Road in Belfast and the loyalist gun attack on a pub in Londonderry. This has been matched by a scaling down of army operations.

Army tactics also seem to have changed. "Target acquisition", where soldiers train loaded guns on passers-by in republican areas, and the "bomb burst" where soldiers burst out of armoured vehicles and rush through the streets covering each other with their weapons, are no longer employed. In a more subtle de-escalation soldiers have tended to wear berets rather than helmets in less dangerous areas.

Security sources also suspect that the IRA's military capability may have been temporarily weakened by a recent series of discoveries of arms caches in the UK and the Republic of Ireland, and that a certain war-weariness may be behind the push for a peace settlement. But they do not doubt the IRA's own claims this week that it is still capable of striking heavily should a decision be made to resume action.

According to security sources any resumption of a high-intensity military campaign by the IRA will almost certainly involve renewed attacks on commercial targets on the mainland. They say the IRA remains convinced that the bomb attack on the City of London in April was a major coup and that something similar should be attempted if the government seems to put Northern Ireland in the political background again.

Sinn Féin has not yet written off the peace initiative between Mr John Hume, leader of the Social Democratic Labour Party, and Mr Gerry Adams, Sinn Féin president, in spite of its rejection by Dublin and London. Sinn Féin believes that either the Anglo-Irish summit pencilled for next Friday or even informal contacts might produce key concessions facilitating a permanent ceasefire.

Mr Tom Hartley, the Sinn Féin chairman, said: "The process is not over yet. Politics is about looking for opportunities. I suspect the British government has no viable alternative to the Hume-Adams proposals and is just saying no... I will be looking for whatever emerges from the summit that can create a dynamic for change."

He added: "It is possible that a response would not even happen at a public level but will probably be made in a private way," suggesting that Sinn Féin hopes to reopen a secret channel of negotiation with the British government which it claims was closed off last July after unionist complaints.

The dilemma for the two prime ministers, even if they were about to offer an olive branch to the IRA, is that there are growing concerns in the security forces about the threat posed by loyalist paramilitaries. One army source said: "We are in a process of reassessing the threat. It has traditionally come from one side only but we are having to reorientate our planning to face a possible threat from the other side as well."

Tunnel groups fined over death

Five UK construction companies building the Channel tunnel were fined £40,000 each yesterday for failing to ensure the safety of a worker crushed to death while acting as a train lookout.

Mr David Griffiths, aged 26, of East Street, near Dover, died when he jumped off a train to change a set of points, Maidstone Crown Court in Kent was told. He was crushed in a 12in gap between his train and another.

The court heard that he had not received the required training to be a train lookout, also known as a banksman.

Mr Hugh Carlisle QC, prosecuting for the Health and Safety Executive, said: "Mr Griffiths should not have even been on the train. Not only was he not qualified as a banksman but he had also never been trained to work underground."

Mr Michel Kalipetris, defending, said: "We accept Mr Griffiths should not have been on the train, but he slipped through a system that had been devised to stop such accidents."

Judge Felix Waley said: "The failure in this case is one of the worst this court has heard about in the past years. This accident happened because the safety procedures in place were not properly supervised and carried out."

The Transmanche Link consortium companies, Balfour Beatty Construction, Wimpey Major Projects, Tarmac Construction, Taylor Woodrow, and Constain Civil Engineering admitted failing to ensure Mr Griffiths's safety.

Budget fears hit northern companies

By Chris Tighe and Ian Hamilton Fazey

Many businesses view next week's Budget with trepidation, fearing that Tuesday's half-point cut in interest rates was a "softener" for tax increases, the Confederation of British Industry in the north of England said yesterday.

Mr Arthur Foord, northern region CBI director, said after yesterday's bi-monthly meeting of the regional council that anxiety about the Budget was holding down confidence among the CBI's 1,500 member companies in his area. Members feared that tax increases would damage the "patchy and fragile" recovery.

Mr Foord said conditions for businesses in north east England and Cumbria had continued their slow improvement, but companies doing well tended to be those seeking new markets around the world, particularly outside western Europe.

Exports account for nearly 45 per cent of the north's manufactured output, the highest regional proportion in the UK.

Mr Foord said that in spite of the low level of interest rates little investment was planned. The reason was not lack of finance, but of confidence.

Yesterday's meeting was less gloomy than those held in the summer but optimism remained below early-1993 levels, he said.

Separately, manufacturers in Yorkshire and Humberside have confirmed "an unsteady and patchy emergence from recession", according to an Engineering Employers Federation survey of its 300 members in the region.

The EEF said yesterday that, after stalling in September, the trend in orders picked up to levels last seen in January, but this was not enough to take up much spare capacity. Mr Ian Hughes, director of the EEF's Yorkshire and Humberside Association, said industry was using an average of only 69 per cent of capacity.

Home orders were volatile in October and November, with 41 per cent of companies reporting an improvement and 24 per cent a decline. Although exports picked up for 25 per cent of companies and fell for 18 per cent, the majority – 57 per cent – reported no change. Nearly 75 per cent reported unchanged investment plans.

With profit margins tightening under competition, this caution was almost inevitable, given that 31 per cent of companies suffered a decline in profitability against 16 per cent which reported an improvement. Cashflow deteriorated for 20 per cent, with only 16 per cent saying it was better.

Mr Hughes said the large volume of spare capacity made it unlikely that any Budget incentives would encourage much investment.

MPs accuse ministers over energy efficiency 'failure'

By Bronwen Maddox, Environment Correspondent

The government has made little progress in encouraging energy efficiency, the Commons environment committee said in a highly critical report yesterday.

Mr Robert Jones, Conservative chairman of the committee, said: "We are one of the most complacent nations in the world on energy efficiency."

The report is particularly sceptical about the likely effectiveness of the Energy Saving Trust, an organisation set up to promote household energy efficiency, which has been one of the central planks of the government's strategy for combating global warming. The committee reports that it is "concerned that the trust will not achieve the funding levels needed to meet its target of reducing carbon dioxide emissions".

The government wants funding for the trust's projects to come from the gas and electricity utilities, which would pass on the costs to customers in their bills. The report said, however, that it had found "a huge discrepancy between what the trust considers it needs and what it is likely to receive".

The UK committed itself at last year's Rio Earth Summit to stabilising emissions of carbon dioxide, largely produced by burning fossil fuels, at 1990 levels by the year 2000. Government figures suggest this would mean a cut of about 10m tonnes of carbon (mtC) on projected annual levels, or about 6 per cent.

The government has said it expects the trust's schemes to save 2.5mtC, a quarter of the total. The controversial imposition of value added tax on domestic heating fuel, announced in the spring Budget, will save a further 1.5mtC, it has said.

The MPs report, however, that "a great deal of scepticism and disagreement among witnesses as to the impact VAT will have on energy consumption patterns".

Mr Andrew Warren, director of the Association for the Conservation of Energy, estimated that the UK would have to invest £1bn for every million tonnes of carbon emissions it averted. "This is the ninth parliamentary report in the past decade on this subject and they have all said we need to pull our finger out," he said.

Mr Tim Yeo, environment minister, said yesterday: "I have acknowledged that the trust's targets are extremely challenging, and it will only be able to achieve them with considerable support from the utilities and their regulators".

Energy Efficiency in Buildings. Environment Committee, 4th Report. HMSO.

Labour warns on Welsh agency

By Roland Adburgham, Wales and West Correspondent

LABOUR yesterday claimed the government was putting the future of the Welsh Development Agency in question because of asset sales and cuts in its grant.

The party was setting out a new agenda for the agency in the wake of the highly critical Commons Public Accounts Committee report earlier this year. Mr Ron Davies, shadow Welsh secretary, and Mr Rhodri Morgan, frontbench spokesman on Wales, welcomed the WDA's new chairman, Mr David Rowe-Beddoe, and what they described as the board's "swift no-nonsense disciplinary action". They added: "We hope a line can now be drawn under this episode."

They told a Commons press conference a much bigger shadow was now being cast over its future.

They said: "By forcing the agency to sell off land and factories on a massive scale, and by cutting its government grant, John Redwood [Welsh secretary] has thrown the WDA's whole existence into question."

While this year, they said, the agency was committed to a budget of £171m, "less than half the budget, £78m, is from Welsh Office coffers. The WDA has to raise £50m from land disposals and £29m from land rental to make up the programme. Projections for next financial year make grim reading."

Mr Davies and Mr Morgan called for the WDA to be given a clear development strategy and a secure financial plan. The agency should be rebuilt as "the engineroom of the Welsh economy" with less emphasis on inward investment and more on indigenous investment, and freed "from the political stranglehold of the Welsh Office".

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Principled taxation

In March of this year, in what turned out to be his last budget, Norman Lamont surreptitiously introduced a significant change in the tax treatment of pension funds. This is not how the change was presented. It was presented as a change in the treatment of advance corporation tax that would, as luck would have it, raise £900m in 1995-96. Without warning, the chancellor chose to undermine long-standing assumptions about the tax treatment of pensions. He did so because he thought a raid on pension funds would attract minimal obloquy. Alas, he was right.

This decision may not have been the most important in the budget. But it was particularly revealing. Mr Lamont decided to lower the rate of advance corporation tax, which is advance income tax on dividend income, to 20 per cent, while lowering the rate of tax credit to the same level.

For most ordinary shareholders the change was neutral. It was not, however, for tax-exempt shareholders, such as pension funds. The sudden increase in the gap between the rate of corporation tax, on the one hand, and the rate of ACT, on the other, has made them significantly worse off. To cut a long and complex story short, the government had decided to raid pension fund surpluses to fill part of the yawning fiscal gap.

What, apart from the technical obscurity of the measure, was so wrong with that? One thing wrong with it is precisely the technicality of the change. That obscurity is what made it possible to present a plan whose effect was to raise almost £1bn from companies, via their pension funds, as a way of providing companies with "cash flow benefits of about £2bn over the next two years".

Fiscal pickle

How clever! But how deceitful! The chancellor could, instead, have admitted that the fiscal pickle into which profligacy and an incorrectly forecast recession had led the government meant greater taxation of pension funds. He did not. His failure to do so, while no more than could be expected, was unprincipled in two significant respects.

The first concerns the proper treatment of income and expenditure. In 1984, the then-chancellor, Nigel Lawson, indicated a desire to reinforce the system of income taxation. The notion was mistaken, but it was at least coherent. Subsequently, however, changes were made in the direction of taxation of expenditure. The case for expenditure taxation is strong in itself. While the government never articulated its view of the matter, it looked as though this was also the direction in which it intended to go.

That is no longer true. The sudden change last March in the tax treatment of the most important financial assets held, albeit indirectly, by the UK personal sector has thrown everything into the air. This matters. It matters partly because the tax treatment of savings is among the most important single features of any fiscal system. It matters also because at the end of 1992 the gross value of UK pension funds was close to £400bn, and represented 29 per cent of the gross and 43 per cent of the net financial assets of the personal sector.

Political convenience

The second concern is still more fundamental. People have to plan their lives on assumptions about how their savings will be allowed to accumulate. In precisely the same way, they need to know what services and benefits the state will provide. This is why continuity of approach and clarity of principle are so important, points that should be obvious to Conservatives. When the state spends 46 per cent of gross national income and raises 37 per cent of it in taxation, it must do more than tack and trim, as the winds of political convenience suggest. How can citizens hope to make sensible plans of their own if the government is either unwilling or unable to clarify its own?

When chancellor, Lord Lawson showed he understood the need. In his budget statement of 1985, for example, he argued there was "a case for changing the tax treatment of pension funds, as part of thorough-going reform of the tax treatment of personal savings generally. Any fundamental reform of this kind would ... need to be preceded by the publication of a Green Paper." The UK is still waiting for that paper.

The fiscal treatment of savings is important in itself. But the inconsistencies in its current treatment are also an indication of what is wrong with British government. What is needed is a stable and transparent fiscal system, based on clear and defensible principles. In recent years, the UK appears to have been moving further away from that objective. The sudden introduction of a third rate of income tax when Lord Lawson had reduced the number to two is another egregious example.

The unified budget has offered an opportunity to do better. Up to now nothing suggests it is being seized. Tuesday will reveal once and for all how far Mr Clarke, too, is addicted to clever wheezes. The omens are inauspicious. If they prove correct, this failing may matter far more than any, inevitably uncertain, "budget judgment" he may have reached.

Glittering prizes if he gets it right

Short-term pain for long-term gain could be the theme of Kenneth Clarke's first Budget, writes **Peter Norman**

On Tuesday all eyes will be on Mr Kenneth Clarke as the chancellor delivers the most bally-hooed Budget in recent years.

The first modern Budget to combine spending and taxation decisions will be vital for the survival of Mr John Major's battered government. It will give the British public and foreign investors a first real insight into the economic policies and philosophy of the man who became chancellor six months ago. It could be crucial to the UK's ability to withstand increasingly powerful competition from east Asia and survive as a leading industrial power in the 1990s.

Above all, the Budget must be a success for Mr Clarke if he is still to be regarded as Mr Major's natural successor. The chancellor is condemned to take risks. Although the economy is recovering steadily from recession, business and consumer confidence is at a low ebb.

If Mr Clarke is serious about tackling the UK's large £50bn budget deficit with the aim of securing sustained non-inflationary growth, now is the time to act. The electoral cycle means that he can ill afford to delay unpleasant medicine. The trick that he must master is to serve it up in a palatable way.

The chancellor has some advantages. Barring unforeseen developments, he will have surprise on his side when he opens William Gladstone's scruffy red and gold budget box in the Commons.

True, his big day has been preceded by a cacophony of speculation, fostered in part by Mr Clarke's decision to abolish pre-Budget purdah for himself and Treasury ministers, and fueled by intensive lobbying from all possible interest groups. But the muffled howling of spending departments that always accompanies their annual negotiations on public spending with the Treasury, and the ventilation of every conceivable tax wheeze, has simply left the nation confused.

The Treasury, Whitehall's Praetorian guard, has maintained its discipline thoroughout the past four and a half months of Budget preparation and allowed no clearly defined leaks. While it is possible to make reasonably well-informed guesses about the Budget, all but a very small group of Treasury ministers and senior officials are in the dark about the chancellor's plans.

We do know quite a lot about Mr Clarke, his politics and his preferences. In his first important public speech after moving into number 11 Downing Street, the self-styled son of the industrial Midlands said he wanted to be remembered "as a chancellor under whom the British businessman and woman and their workforce were able to earn a better living".

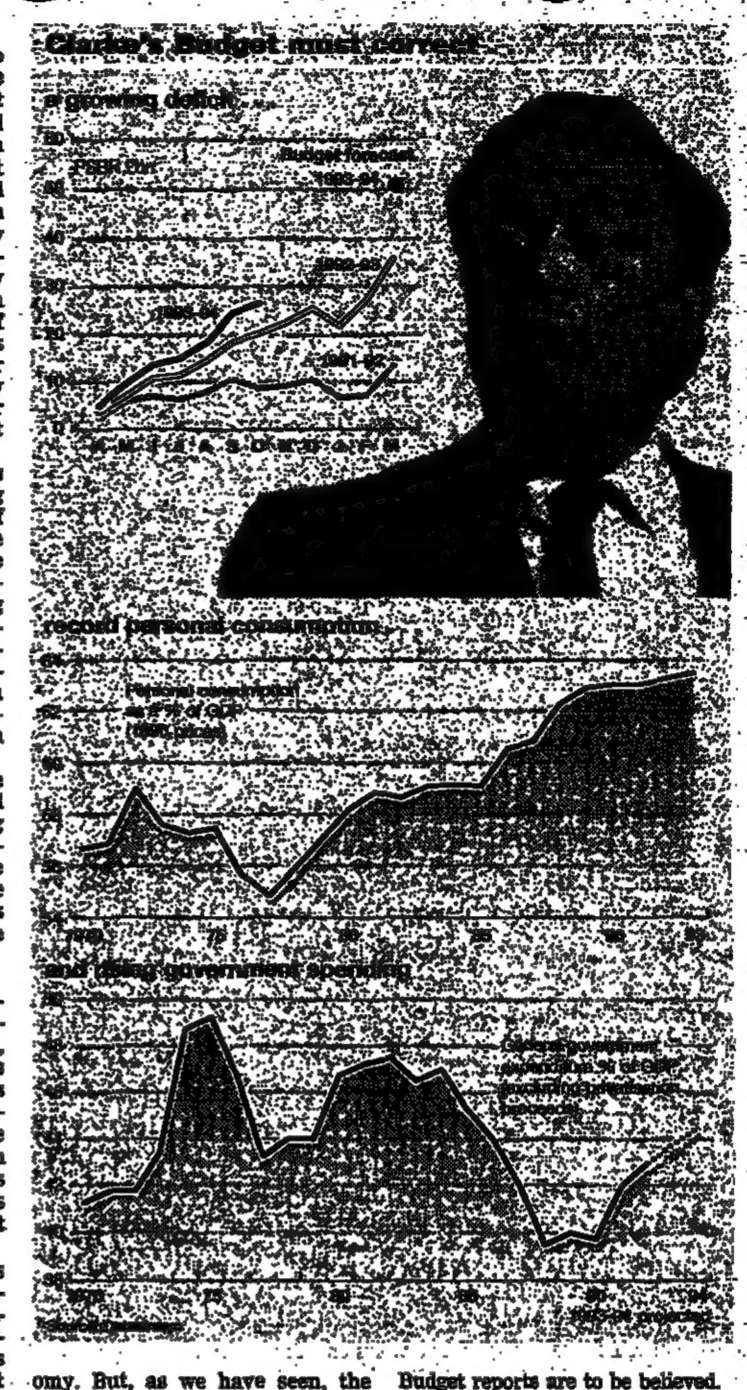
He has since laid great stress on the need for greater saving and investment in the UK economy. He wants to reduce the amount the government spends as a proportion of gross domestic product from more than 45 per cent to less than 40 per cent. However, unlike some Tories, he believes government can do some good through public spending and is not prepared to cut it below an acceptable minimum.

Since his first lengthy interview with the Financial Times in June, the chancellor has consistently said that the projected 1993-94 public sector borrowing requirement of £50bn, or 8 per cent of GDP, is too high. He has been equally consistent in not ruling out higher taxes to reduce the deficit in addition to the £6.72bn for 1994-95 and the £10.3bn for 1995-96 decided by Mr Norman Lamont in his final March Budget.

Would the economy be able to bear additional tax increases? The good news for Mr Clarke is that it has performed better than expected in the past six months. Although there is a widespread belief that Britain is still in recession, and some sectors such as construction are still very depressed, the country has been in recovery since the second quarter of last year. Seasonally adjusted unemployment has fallen by 137,000 from its January peak of 2.99m. GDP in the third quarter was 1.9 per cent higher than the year before. The economy should grow by about 1⅞ per cent this year against the March Budget forecast of 1¼ per cent.

Moreover, there are indications that economic activity is being under-recorded. The Bank of England has suggested that the price measures used to calculate volume growth of industrial production and exports may be causing government statisticians to underestimate real activity. Recent figures showing falling unemployment, slow growth in manufacturing output and rising productivity are inconsistent with each other.

In September, Mr Clarke told the annual meeting of the International Monetary Fund that he was aiming for a recovery that would be "sustained over the rest of the decade and beyond", and which would be "driven by investment and exports not consumption, by the private sector not the state".



What is clear, however, is that consumer demand, rather than exports or investment, has become the main engine of economic growth in Britain. As the chart shows, private consumption as a percentage of UK GDP has risen to record levels in real terms and is higher than in most advanced economies.

This is a mixed blessing. It is doubtful whether Britain can sustain such high levels of private consumption in an increasingly competitive world. An ominous sign has been the persistent large current account deficit throughout the recession.

If Mr Clarke is serious about encouraging business and investment, he should now be thinking of refocusing the economy. This would also fit with his determination to have the economy correctly trimmed to achieve a Conservative victory in the general election to be fought by late spring of 1997. The coming financial year is about the last in which it will be politically prudent to inflict financial pain on voters, while hoping to be able to compensate them by the time the nation next elects its MPs.

Cutting public spending would be one way of rebalancing the economy. But, as we have seen, the chancellor sees political and practical limits to such an exercise. The off-stage noises emanating from the negotiations between the Treasury and spending departments to keep the pre-set control totals for public spending within their respective ceilings of £253.6bn in 1994-95 and £263.3bn in 1995-96 have done nothing to dispel the impression that this year's public expenditure round has been very difficult.

Mr Clarke will in any case have to signal politically difficult cuts in important public services on Tuesday. Invalidity benefit, unemployment pay, the roads programme, housing, and military expenditure are all likely to be trimmed, if pre-Budget reports are to be believed.

So taxation offers Mr Clarke his only realistic option to wring success out of a difficult Budget. Britain's tax system is so complex that a deft politician can always conjure up acts of generosity to catch the public imagination even when vigorously raising taxes.

However, the chancellor will be constrained by the high tax increases already announced in March as well as by the government's 1992 election manifesto. Mortgage interest relief, for example, has long been a target of Treasury tax reformers and is due to be restricted to the 20 per cent tax band from April. But it looks likely to survive in some form because of the still fragile recovery in the housing market and the manifesto pledge that it should be "maintained".

In recent weeks there has been much speculation that Mr Clarke would attack the privileges of pension funds. But this has looked less likely since the chancellor's recent CBI conference speech which disclosed that Mr Stephen Dorrell, the financial secretary, would carry out a long-term work programme "looking at the impact of tax and other government policies on savings and the flow of funds through the economy".

In his IMF speech, Mr Clarke expressed a clear preference "wherever possible" for indirect taxation. "When we tax consumers," he said, "we should target their spending rather than their savings or incomes."

However, it is doubtful whether he will be able to live up to his principles next week. Although Britain's 17.5 per cent standard rate of value-added tax is low compared others in Europe and covers only about 54 per cent of consumers' expenditure, the furore over VAT on domestic fuel and power exposed the political limitations of widening its net to zero-rated items such as food. Furthermore, the government's inflation target of 1 to 4 per cent for retail prices excluding mortgage interest payments militates against radical action because VAT increases are reflected in inflation figures.

Nevertheless, there may be some limited moves on VAT and there is an outside chance of a new lower VAT rate to cover zero and exempt items. Excise duties on motor fuels are already destined to rise by more than inflation and tobacco and alcohol taxes could follow suit.

But, as has so often been the case, income tax looks the best vehicle for increasing taxation. Most pundits expect the chancellor to restrict tax allowances. He could, for example, raise about £4bn by the simple expedient of abolishing the married couple's allowance, or £6bn by restricting all personal allowances to the 20 per cent lower tax band. Such moves could be defended as contributing to fairness and give ample scope for widening the 20 per cent tax band well beyond the £3,000 limit due to enter force in April.

The Tories' natural supporters in the middle- and upper-income brackets would suffer, of course. But Mr Clarke might calculate that they would return to the fold by the next general election, especially if they are provided with cuts in income tax rates before going to the polls.

The final package will hinge on the chancellor's assessment of how much he must cut the deficit. The figures for the first seven months of this financial year have provided no encouragement that it will be less than £50bn.

The latest City consensus is for a fiscal tightening of about £2bn in 1994-95 on top of Mr Lamont's pre-programmed tax rises. The belief, quietly promoted by the Bank of England, that the economy is in better fettle than it appears could encourage Mr Clarke to be even tougher.

If Mr Clarke wants to achieve his aim of making Britain more internationally competitive in the 1990s, his best bet next Tuesday could well be to prescribe short-term pain for the consumer in the hope that it will yield long-term gain for the nation and his party.

MAN IN THE NEWS: ***Leslie Hill***

Batsman at Central stump

As an avid amateur cricketer, Leslie Hill, chairman and chief executive of Central Independent Television, is the ideal person to bowl fierce sporting metaphors at Mr Peter Brooke, National Heritage secretary and member of the Marylebone Cricket Club.

On the changes to the ITV ownership rules proposed by Mr Brooke, the Central Independent Television chairman says: "What he has done is bowl us a flipper, a ball that looks like a googly but goes the other way."

You do not need to know one end of a cricket bat from another to realise that whether it is flippers or googlies, Hill, a long-time advocate of rationalising ITV's structure, is not happy about some aspects of the government's decision to allow consolidation in the industry.

"It's two steps forward and one step back," says Hill, who as far back as 1988 told the then prime minister, Mrs Maraget Thatcher, on a visit to Central's Nottingham studios that the 15 ITV companies should, in the interests of efficiency, be reduced to no more than five or six.

Hill, the businessman who worked in the music industry and in industrial services before coming to television in 1987, received telexes from other ITV companies "presuming" he would resign from the ITV Association – the body representing all the companies – after his controversial comments found their way into the national newspapers.

"ITV was a bit of a gentleman's club at the time," says Hill. "You waren't expected to rock the boat. I believed you should either redraw the map (of ITV)in a sensible way to create similiar-sized regions or you should allow the market to do it."

The 57-year-old Hill, now ironically chairman-elect of the ITV Association that once saw him as an uncomfortable outsider, is pleased that the government has decided that outside London an ITV company will be able to hold two broadcasting licences, however large. At the moment, the nine largest companies cannot not take each other over. He is, however, disappointed at the anomalies he believes the apparently simple change will leave in its wake.

For instance, Yorkshire-Tyne Tees, which recently issued a profits warning, cannot be taken over easily because it holds two broadcasting licences. If another ITV company pounced, it would face a messy divestment of Tyne Tees.

"It seems extraordinary that the company that in some ways most needs taking over cannot be taken over in its present form," says Hill of Yorkshire, a company in which Pearson, owner of the Financial Times, holds a 14 per cent stake.

Setting the limit at two licences, instead of allowing one company to own two large licences plus one of the remaining small five, means that nobody will want to forfeit their chance to own another big licence by taking over minnows such as Border or Grampian. Such companies could be acquired now as defences to takeovers even under existing regulations, if the Independent Television Commission, the regulator, agreed. But it is far from clear whether shareholders would support such shenanigans.

"Under the previous ownership regulations the 15 could at least in theory have become nine," says Hill. "Now it can move to eight. Moving from nine to eight ITV companies is not a huge step forward."

The barriers in the way of deeper consolidation will lead to uncertainty and confusion after the expected rapid outbreak of takeovers, he believes.

The government plans to make changes to licences which are likely to operate after January 1 next year, but Mr Brooke, who plays one of the straightest bats in politics has promised to keep the issue of ownership under review. He said this week he would look at whether newspaper publishers should be able to own ITV companies. Relaxation of the present 20 per cent limit on ownership of a single ITV company for publishers is likely to happen eventually – it could have been this time but for fears that Mr Rupert Murdoch's News International, owner of five national newspapers would have swooped on an ITV company.

While the present rule change may be modest it could have profound implications for Hill's career. He has long known that by advocating a smaller number of large ITV companies, he could be one of the first to be trambled in the rush.

"Three times I have been in companies that have been taken over," he says. "Twice I was promoted and the third time fired. The best deal financially was the time I was fired." Central is not only attractive as the second largest in ITV but as a company which successfully bid only £2,000 for its licence. This means that its annual payments to the government are far less than most companies of its size, although it still has to hand over a percentage of its advertising revenue.

So Hill is a potential victim as well as a potential predator. Conventional wisdom in the industry has it that Michael Green's Carlton Communications, which owns 20 per cent of the Midlands' company, will move against Central.

It would be an expensive morsel. In July 1991, before the news started to leak about the company's low bid, the share price stood at about 630p. It has now reached £21.68 giving the company a market capitalisation of £583m – still small compared to Carlton's £1.5bn.

Despite Hill's powerful and ambitious minority shareholder, he is big enough and determined enough to want to be a player in his own right. He could launch a bid for London Weekend Television, although there he might find himself on a collision course with Granada, which already owns 20 per cent of the London weekend company.

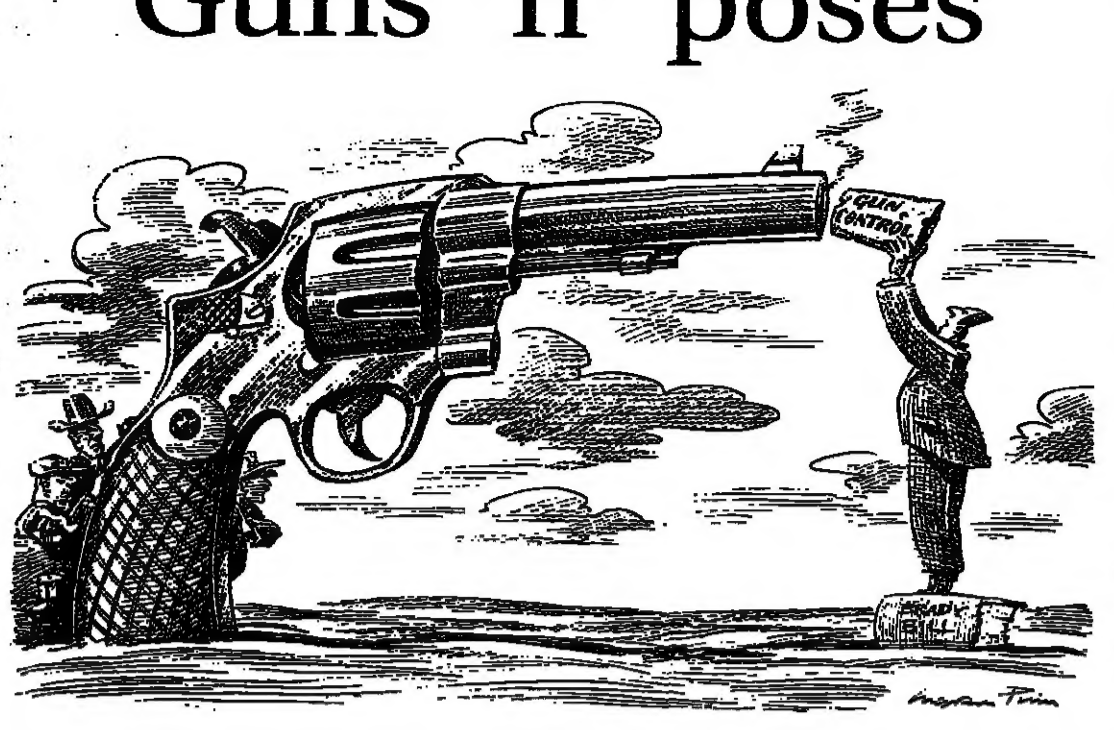
Anglia, with a market capitalisation of about £200m, would seem to be Hill's most obvious target if Green fails to clinch a deal quickly. HTV, the commercial broadcaster to Wales and the west, would make sense as a takeover target at a pinch.

Hill declines to comment on how he plans to play such a sticky wicket. But anybody trying to bowl him out should be warned that Hill still plays a mean game of cricket and can bowl unfriendly inswingers – if not flippers or googlys.

Raymond Snoddy

George Graham examines an important victory for US advocates of tougher firearms laws

Guns 'n' poses



The smoke has cleared a little. After seven long years, the US Congress this week passed its first significant gun control law since the assassinations of Mr Robert Kennedy and Rev Martin Luther King Jr in 1968.

The legislation – known as the Brady bill after Mr James Brady, the former White House press secretary severely wounded in an assassination attempt on President Ronald Reagan – would impose a five-day waiting period on purchases of handguns. It would give law enforcement authorities time to check the buyer's background.

Advocates of tougher controls on guns were jubilant about their victory over stubborn resistance by Republican senators from western states such as Idaho and Alaska, who have long opposed any restriction on gun ownership in the US.

The Brady bill's opponents in Congress say it will inconvenience only law-abiding citizens, not criminals who buy or steal their weapons away from the government's prying eyes.

They point to glaring failings in the federal government's policing of the 276,000 licensed gun dealers in the US as evidence of the Brady bill's likely ineffectiveness. For instance, one newspaper reporter successfully obtained a dealer's licence for his dog by submitting a made-up social security number.

Studies of state laws requiring some form of background check suggest, however, that at least some sales to convicted felons have been stopped, and some suspected criminals have been caught when they tried to buy a gun.

But even the most ardent supporters of the Brady bill acknowledge that it will make no more than a dent in the estimated 7.5m legal sales each year of new or used firearms, let alone the approximately 200m guns in circulation; and will barely affect the more than 14,000 murders and 1,400 accidental deaths involving guns each year.

"The longest journey begins with a single step," Mr Brady said after the bill's final passage in the Senate on Wednesday.

Despite its uncertain effect, passage of the Brady bill is read by some as a sign that the tide has turned decisively in favour of gun control. Other initiatives in Congress and in state legislatures are under way: the Senate last week agreed in a separate bill to ban assault weapons, a measure already in force in California, New Jersey and Connecticut. Virginia has passed a law restricting people to one gun purchase a month.

With the federal government considering the imposition of punitive taxes on some particularly devastating types of ammunition, the Winchester company recently decided to withdraw its Black Talon bullet. This is prized by some game hunters for its killing power but detested by emergency room doctors for the damage it inflicts on humans as it mushrooms on impact.

The strength of public feeling about rampant gun use has clearly grown in the face of an apparently unstoppable wave of urban violence that has brought the rate of death by shooting among young black men to more than 150 per 100,000, and led to the installation of metal detectors in city schools.

The fear of violent crimes such as carjackings and drive-by shootings has spread even beyond the inner city and into the suburbs and the countryside, provoking a widespread feeling that something – anything – must be done.

The message from an outraged public is not, however, unequivocally in favour of gun control.

Paradoxically, while thousands of people have been telephoning their Republican senators to demand that they stop blocking the Brady bill, thousands have also been flocking to join the National Rifle Association, the leading organisation among the pro-gun lobbies. In the past year and a half, it has gained 1,000 members a day to bring its total, which had declined to about 2.6m in 1991, to a record of about 3.3m. Many new members and gun owners are women.

Recent election results have shown, too, that simply being tough on guns is not enough to woo the voters. Although Democratic Governor Jim Florio of New Jersey came close to victory in the gubernatorial race this month by striking a tougher stance on both guns and crime in general than his Republican challenger, Mrs Christine Todd Whitman, this was not enough. Voters were swayed by economic considerations and particularly by the memories of his first-term tax increase.

In Virginia, meanwhile, Ms Mary Sue Terry, the Democratic candidate for governor, relied in her campaign on gun control and was thrashed by Mr George Allen, her Republican opponent, who did not favour tighter curbs but promised to be tough on criminals by abolishing parole.

While such results do not indicate that the NRA has been routed, they have put the association on the defensive. Most members now favour some form of gun control, but the core membership opposes all restraints on the sale of firearms. Their beliefs are rooted in an almost theological – some would say fanatical – interpretation of the second amendment to the US constitution, which states that: "A well-regulated militia, being necessary to the security of a free state, the right of the people to keep and bear arms, shall not be infringed."

"The second amendment is not about duck-hunting. In the 1990s, it is about self-defence," says Mr James Jay Baker, the NRA's chief Washington lobbyist.

To many association members, the right to self-defence is not just against muggers or burglars, but against a tyrannical government. Mr Neal Knox, sacked from a lobbying position with the NRA in the 1980s but now one of its elected directors, argues that the second amendment is the citizen's "freedom insurance plan" against tyranny.

Mr Knox says the Holocaust would not have happened if Europe's Jews had owned rifles, and if the Nazis had not been able to confiscate guns, thanks to gun registration laws passed in the 1930s. He also contends that the solution to Somalia's problems is to arm Somali mothers with AK-47s.

Such beliefs have led the NRA to campaign against restrictions on machine guns, assault weapons and armour-piercing bullets. In the process they have lost touch with many of their members, who back gun control in general and specifically the Brady bill.

Two trends over the past few years have weakened the advocates of gun rights. First, left-wing Democrats have begun to champion gun control as a supplement to tough anti-crime measures, rather than an alternative; they have recaptured much of the "tough on crime" high ground by backing boot camps for young delinquents, harsher sentences and stiffer restrictions on parole or *habeas corpus* appeals.

The NRA is trying to fight back with a campaign called CrimeStrike, calling for harsher measures against criminals.

Second, the NRA's insistence on combating *any* gun control, even that viewed as reasonable by a majority not just of the US population but of gun-owners, has driven away some former political and police supporters.

Senator Denis DeConcini of Arizona, once voted the NRA's "legislator of the month", is backing a ban on assault weapons. Delegate Clinton Miller of the Virginia state assembly, once rated "A+" by the NRA, now calls the organisation's top members "hateful, spiteful, arrogant".

This alienation is apparent among gun-owners at large. According to a Gallup poll earlier this year, 57 per cent of people who said they had a gun in their house also favoured stricter laws on the sale of firearms.

These converts to gun control, however, are a long way from believing that the answer to violent crime lies in more radical action, such as the proposal of Senator John Chafee, a Rhode Island Republican, for a complete ban on handguns.

Some Americans may move in this direction, but many more may put their faith in self-defence and buy their own weapons.

Tony Walker on China's crumbling infrastructure

Long march to a private bathroom

When Xin Xiao, a Beijing housewife, wanted a telephone installed it proved no simple task. After paying a deposit of nearly US$1,000 she waited in vain for more than six months.

Exasperated, she followed the advice of friends and showered phone company officials with gifts. "It worked," she said. "Within a short time a phone was installed."

Madam Xin's story is familiar in China these days. Growing affluence is bringing with it an insatiable demand for services taken for granted in the west. Not long ago, a private telephone was an almost unimaginable luxury for all but the most privileged.

A hard-pressed official at the Beijing Telephone Bureau said that the crush of orders for phones in some areas was so great that the company had closed the books on new applications temporarily.

China's economic boom is exerting huge pressures on a crumbling infrastructure. Its roads, railways, ports and airports are proving inadequate, and plans unveiled this week to spend $140bn by the year 2000 on a crash programme to upgrade facilities will scarcely ease the difficulties.

The authorities are also having to grapple with the rapidly rising expectations of consumers, who long ago ceased to be satisfied with the so-called "three bigs" (big luxuries) of the Maoist era – a watch, sewing machine and bicycle.

Even the "three bigs" of the Dengist period – washing machine, refrigerator and colour TV set – are now almost standard in many urban households.

For millions of city-dwellers housing (or lack of it), remains their greatest problem. China's 2m newly-wed couples annually are obliged in some cases to wait years before being allocated dwellings. Construction of low-cost housing lags far behind demand. It is an extraordinary statistic, but in Shanghai, China's largest city, not one floor of additional housing was built in the Cultural Revolution years of 1966-76. And during this period the city's population grew by several millions.

According to a report prepared for China's Commission on Economic Restructuring, there were, in late 1992, 8m families which had no houses or were having housing problems. "After acquiring enough to eat and wear, the people have developed a strong desire to improve their housing conditions. The increasing demand has made the problem... more acute," the report said.

Simple requirements such as a private bathroom are at a premium for many Chinese families, including government employees holding responsible positions. Work units provide bathing facilities several times a week and, failing that, public bath houses are available.

The average speed on main roads in China is between 19 and 25mph

Among the myriad frustrations for Chinese households – from overcrowded buses and trains to poor facilities for schooling – power shortages are one of the worst. Areas of Beijing suffer frequent blackouts, and in some suburbs power supplies are too feeble to fuel appliances like microwave ovens. The World Energy Council, a body monitoring the power sector, reports that electricity demand in China exceeds supply by about 20 per cent. With China's economy growing this year by 13 per cent, and with projected growth of 8-9 per cent annually for the rest of this century, there is little early prospect of the problem being solved in spite of heavy investment in the power sector.

Telecommunications is a priority but the case of Madam Xin and her problems with the telephone bureau reveals how far there is to go before China's 35 main urban centres, let alone far-flung areas, are blessed with an adequate telephone system. China's ratio of people to telephones exceeds 100, compared with 1.6 in Hong Kong, 2.2 in Singapore, 2.8 in Taiwan and 2.8 in South Korea. The ratio in the UK is 1.9. China has about 17m phone lines, and aims to increase this to 100m by 2000.

Difficulties in securing a private telephone have proved a bonanza for manufacturers of paging machines and cellular phones, such as Motorola. In Beijing alone, according to a Motorola executive, there are 600,000 pagers, equivalent to about one for every 15 people. Cellular phones in the Chinese capital number more than 20,000.

If the telecommunications system is overstretched, stresses on the transportation sector are hardly less severe. China's hard-pressed railways rank first internationally in terms of utilisation, with load intensity averaging 25.79m tons per kilometre.

Likewise, China's roads are barely adequate for a country a fraction of its size. Road coverage is only about one-sixth that of the US. Less than 6 per cent of China's 662,500 miles of roads are rated above "second class". It has no trunk highways linking east and west, north and south, and existing roads are clogged with trucks, cars, animal-drawn carts, bicycles and pedestrians. Average speed on the main roads is between 19 and 25mph.

Camera Press

Long and winding track: farmer on China's out of date network

Nearly 60,000 people died on the roads last year. According to the Beijing Review, a weekly news magazine, fatalities per 10,000 vehicles (China has 7m vehicles) is "20 to 30 times that in developed countries".

China's airports and ports are also severely stretched. Demand for aircraft seats far outstrips supply – passenger traffic is expected to grow by 25 per cent this year – and airports are ill-equipped to cope with the boom.

Only a small proportion of China's airports are equipped with sophisticated instrument landing systems, which means flights are often cancelled due to bad weather, throwing an overburdened system into further chaos. A rash of accidents has drawn attention to lax safety standards.

The airline industry estimates China will need to import 50 to 100 passenger aircraft annually to the year 2000 to keep pace with demand. But this is placing a huge strain on staff training. Last year, China acquired 56 aircraft, which created positions for 500 new pilots, but training facilities produce just 100 pilots a year.

Ports are also heavily congested. Plans to double capacity by the year 2000 will go some way towards easing pressures but, if China's economy continues to grow at projected rates, long delays are set to continue.

Beijing Review reported recently the ratio between ships in port and those waiting outside was 1 to 1.2. In 1992, grain carriers were obliged to wait at anchor for 26 days on average, incurring total compensation for delays of $55m.

Traffic jams outside China's ports, like those at its airports and on its roads, are a symptom of an economy undergoing an extraordinarily rapid transformation.

The situation is likely to get worse before its gets better. As Mr Cheng Yongde, a senior engineer at Beijing's Institute for Urban Design, said of congestion on Beijing's roads. "We haven't encountered the real challenge yet: when the masses start to drive their own cars, then we'll have a real mess."

Things can be done

Hand-wringing over the James Bulger case is misplaced, says John Willman

It is a common human desire to seek a reason behind apparently irrational happenings. This has been well illustrated in the response to the conviction this week of two 11-year-old boys for the killing of Liverpool toddler James Bulger.

In the UK, most newspapers and television stations have analysed in great detail the events which led to the abduction and brutal murder of the 2½-year-old. Experts have proffered their explanations. The case has led news bulletins across the world.

The search for a reason has ranged widely. Horror videos have been blamed, because of similarities between what happened to James Bulger and the events in Child's Play 3, a video borrowed by the father of one of the convicted boys less than a month before the murder.

Also blamed have been the witnesses who testified at the trial to having seen the boys leading the abducted toddler on his 2½-mile via dolorosa through Liverpool streets to the place where he was killed. Their failure to intervene effectively has been seen as symptomatic of an uncaring society in which stepping by on the other side is regarded as prudent behaviour.

Society has also come in for criticism for creating a "lost generation of children", the offspring of an urban underclass trapped in a cycle of poverty, violence and deprivation.

Finally, there is the question of evil. Such events encourage those who see the old Adam reappearing, a return of the blacker side of human nature.

Yet there is nothing new in the ability of humans to inflict suffering on others. In civil wars from Cambodia to Somalia, young children have become involved in vicious fighting and atrocities.

Children who kill other children are rare outside the circumstances of war – but they are not unknown in countries such as the US and UK.

The most notorious UK case until the James Bulger murder was that of Mary Bell, the 11-year-old from Newcastle upon Tyne accused in 1968 of strangling two boys aged three and four. She was found guilty of manslaughter on grounds of diminished responsibility after being acquitted of murder.

As in 1993, the baleful influence of television was cited as a cause of violent behaviour. Mary Bell said that she learnt that squeezing the throat led to death from The Saint, a TV series based on Leslie Charteris's detective novels.

It would be foolish to deny a link between television (or video, or film) and criminal acts. Those who spend millions of pounds on advertising believe with justification that visual images can affect individuals' behaviour. There will be some impressionable individuals who will copy what they see. But it would be hard to prove such people would not behave violently if access to such images was denied.

In any case, there are other factors surrounding the Bulger case which are more readily susceptible to policy initiatives that would prevent young people developing a violent bent. Chief among these are the circumstances within which the two boys broke free of parental authority and slipped through the normal framework of social control which might have restrained them.

In one family, the mother – separated from her husband – was prone to marching her son into the local police station for chastisement because she was unable to discipline him. In the other, violence was routinely perpetrated on younger children by older ones – and by the father until his departure. One child in the family was in care and another had asked for the same treatment.

Here, clearly, were children in need of help. Support for the family could have been offered within their existing homes if that was appropriate. With families completely unable to cope it might be better to give the children a secure environment outside the home.

Both boys also appeared to have escaped the authority of their school, the other fixed point of their lives. One child had missed more than half the sessions in the two months before the murder. Both were seen as difficult to teach.

Much more could be done to stop truanting and ensure that children are not allowed to become outlaws before reaching the age of 10. Schools which have tackled truancy have found that assigning staff to chasing up absent pupils promptly can make real inroads into the problem. Truancy league tables – published by the government for the first time last week – could be used as a lever to encourage other schools to follow suit.

Once in school, children from especially deprived homes have special needs which may require very much greater resources than are presently offered.

Such measures would not be cheap – especially if the help were to be of the quality which most people would aspire to offer their own children. Keeping a child in residential care can cost from £15,000 a year upwards – much more in difficult cases. Dealing effectively with special needs may require one teacher per pupil.

Intervention would have to be applied with more sensitivity than has been shown in some recent childcare cases. The actions of social workers in recent cases of alleged child abuse have been unacceptably heavy-handed and intrusive. But that should not undermine the basic premise of social work: that intervention can, literally, save lives.

Such policies offer some prospect of breaking the downward spiral of lost parental authority, failure at school and criminal behaviour. If society is not prepared to pay the cost of such measures, then there is nothing else to do but to wring our hands.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not right way to respond

From Ms Bronwen Bernard.

Sir, In response to the prime minister's deregulation drive, the Health and Safety Commission set up seven task groups to review health and safety legislation. These groups are due to report in March.

As a member of one of these review groups, I wonder why the government has chosen to ignore this consultation process and announce legislation giving itself powers to repeal health and safety regulations without debate. In future, it seems, the government plans to legislate on health and safety without reference to anyone else. This is not a response to the needs of business but an attempt to centralise power further.

Bronwen Bernard,
6 Vanbrugh Park Rd West,
London SE3 7QD

VAT would hit UK printers

From Mr John Arnold.

Sir, A better reason than possible poor publicity for the chancellor to refrain from imposing VAT on books, magazines and newspapers is the ease with which such a tax could be avoided.

No VAT is levied on imported postal packets with a value of up to £15 – a sum in excess of the price of single copies of most magazines and many books. Publishers and book clubs may, therefore, legitimately supply their UK customers with VAT-free publications by collecting subscriptions and mailing from outside the European Union. The practice would be cost-efficient only were the printing to be done outside the EU too.

If the present chancellor accepts former chancellor, Nigel Lawson's, advice he will inflict severe damage on the printing industry, not to mention newsagents and bookshops, and fail to collect the revenue he expects.

John Arnold,
director of corporate and policy affairs,
British Printing Industries Federation,
11 Bedford Row,
London WC1R 4DX

Advertisers threatened by ITV changes

From Mr Michael Grade.

Sir, The potential losers from the government's decision to relax the ownership restrictions between the ITV companies are the very people who pay for the programmes – the advertisers ("Battle begins for future of ITV", November 25).

Viewers' interests are safeguarded by the statutory powers of the licensing authority, the Independent Television Commission, but the inevitable concentration of ITV ownership which will ensue could, if unchecked, limit the current choice available to advertisers.

The most radical aspect of the government's 1990 Broadcasting Act was not the auction for franchises. It was the abolition of the ITV monopoly of airtime sales, putting Channel 3 in competition with Channel 4 (and, to a tiny extent, satellite). That freeing up of the vital, wealth-creating television advertising market is now under threat. ITV is still the dominant force with a share of more than 70 per cent of all advertising revenue. Against some predictions, Channel 4 has provided real competition; but our ability to compete effectively as the minnow in the pond hangs on the ITC's rules that no individual ITV sales operation can offer for sale more than 25 per cent of ITV's total revenue.

The government, the ITC, the advertisers and those charged with ensuring fair trading conditions must not allow concentration of ownership to undermine the 25 per cent rule which is the advertisers' only guarantee of choice in a lopsided market.

Michael Grade,
chief executive,
Channel Four Television,
60 Charlotte Street,
London W1P 2AX

The unmeasured threat from nuclear power station emissions

From Mr G A H Watts.

Sir, I have lived for 32 years on the opposite bank of a river where one of Britain's nuclear power stations is situated. I have during the last two months developed acute myeloid leukaemia for which, at my age (72), there is no cure. When I entered hospital the leukaemia cells made up 6 per cent of my bone marrow.

Judge my astonishment when, on making inquiries, I found that emissions from the station are not monitored continuously, but only once a month. During this time radiation can be emitted from the heavily contaminated CO_2 into the steam and hence to the atmosphere without being picked up. So the public is not warned.

Having read all the latest papers, I am in no doubt that the cause of my leukaemia is radiation from the nuclear power station. It has probably resulted in the mutilation of one of my cells and this then spread.

In my view, no further nuclear stations should be built until the cause of leukaemia near nuclear stations has been resolved. Do we have to wait 10 or 20 years for this to be done? Further, the latest medical papers state there is no known safe minimum dose.

G A H Watts,
Stroat House, Stroat,
Chepstow, Gwent NP6 7LR

Not a low-cost concert

From Mr Leopold de Rothschild.

Sir, I refer to your critic. David Murray's, review of the English Chamber Orchestra's concert with Sviatoslav Richter ("A high price for Richter's big sound", November 25).

Mr Murray concludes his article with a reference to "...the laid-back, low-cost but pricey Richter exhibition". I would like to point out that, taking into account Mr Richter's very high fee, even if we had sold out (which we did not) we would still have sustained a substantial deficit. I do not think therefore, that this concert could, by any stretch of the imagination, be described as low-cost.

Leopold de Rothschild,
chairman,
English Chamber Orchestra and Music Society,
2 Coningsby Road,
London W5 4HR

Who gets paid, and when

From Ms Julia Stout.

Sir, Stewart Dalby states in his article "Agents move into the driving seat" (Management, November 24) that "principals will no longer be able to delay paying their agents simply because they have not been paid".

While the regulations are by no means clear (on this point as on many others), the view that we have taken is that principals can delay paying their agents until after they have been paid by their customers provided they have done everything they need to do; it is only where the principal has not performed his side of the sale transaction on time that payment may be due to the agent regardless of whether the principal has been paid.

With respect, this seems the more logical interpretation. The new rules are sufficiently onerous to principals without seeking to make them more so.

Julia Stout,
solicitor, technical unit,
Dibb Lupton Broomhead,
solicitors,
Fountain Precinct,
Balm Green, Sheffield S1 1RZ

Chief executive resigns as restructuring provisions unexpectedly soar

BM dives £116m into the red

By Peggy Hollinger

BM Group, the debt-laden engineering company, yesterday announced greater than expected restructuring provisions and write-downs leaving it with a £116.6m pre-tax loss for the year to June 30, against a profit of £34.6m.

The company also announced the resignation of its chief executive Mr Howard Sutton, one of the last remaining directors behind the acquisition strategy which burdened the group with debt of some £160m.

Mr Sutton, who was on a three-year rolling contract with a salary of £200,000, will be replaced by Mr Cliff Walker, formerly of Dunlop and BTR. Mr Sutton will remain as deputy chairman until April.

BM blamed its misfortunes on the acquisition in 1990 of Blackwood Hodge, the construction equipment distributor, for £54m and a further £118m in associated borrowings. The difficulty was compounded by the subsequent purchase of Thomas Robinson, the packaging group. "These two acquisitions left BM in a dangerously weak position to face the recession," said Mr Moger Woolley, chairman.

As a result, initial estimates of a £41.6m charge to pay for the disposal programme had proved insufficient to clinch a financial restructuring. Further charges to pay for banking fees, additional closures, property losses and write-downs, and wider restructuring of remaining businesses resulted in a total hit of £119.5m.

Shareholders funds dropped from £157.5m to £60.2m.

At the operating level, BM announced profits of £16.6m, against £48.1m last time, on sales up from £519.5m to £547.2m.

Mr Walker said the group had sold some 14 businesses so far, raising about £51m.

BM was also in advanced talks over a further six disposals, including the Blackwood Hodge business in Canada, which were expected to raise about £40m and eliminate roughly £24m in associated debt.

BM's debt, reported as £114m at the year end, had been reduced further to £86m.

By the end of the disposal programme BM would comprise engineering businesses with turnover in 1993 of £154m and profits of £11.7m.

Losses per share were 109.1p, against earnings of 25p. There is no final dividend, leaving the interim of 0.5p for the year (5p).

The preference dividend is postponed.

● **COMMENT**

These grim figures were wholly unexpected, but surprisingly, not unwelcome. There would appear to be little left to sweep out of the stable. For the first time in more than a year, BM appears to be confident it is over the worst. Warnings of a £55m provision, due to the almost academic write-off of goodwill on disposals, mean that the company is set for a sizeable loss this year. However, at the operating level analysts are looking for anything from breakeven to a relatively small deficit of £1m from continuing businesses after interest. In the short term, the shares still appear highly speculative. Much hinges on BM actually achieving those six disposals, particularly in Canada. After that, the downside compared to 1993's results is pretty limited.

Argyll may start to depreciate assets

By Neil Buckley

Retail analysts believe Argyll, owner of Safeway, may be the first of the big UK grocery chains to start depreciating its land and buildings – a move which could hit balance sheets and earnings across the sector.

Analysts at James Capel, the stockbrokers, issued an internal note yesterday suggesting that Argyll, which announces its interim profits next Wednesday, "may use these results to announce a change in accounting policy and a modification in strategy."

Argyll is forecast to announce an increase in pre-tax profits from £205.5m to about £216m. But James Capel says it believes the company is considering adopting depreciation for freehold and long leasehold buildings.

It says a 4 per cent depreciation of assets in the current year would reduce pre-tax profits by £25m, and earnings per share from 28.8p to 25.3p.

Other analysts said Argyll was thought to have been considering the move for some time, and may now have decided to put it into practice.

Fears about the sustainability of grocers' margins and returns on capital have raised the question of whether superstore assets should be depreciated over their useful lives.

Analysts have warned that unless food retailers began steadily depreciating their assets, they might be forced to make big one-off write-downs.

Wm Morrison is currently the only large chain to depreciate land and buildings, but at a rate of only 1 per cent a year. Based on 4 per cent depreciation, James Capel has suggested earnings would fall by up to 12 per cent at Tesco, and 9 per cent at Sainsbury.

QMH faces action over property valuations

By Maggie Urry and Peggy Hollinger

Mr Dennis Woodhams, one of the leaders of the Queens Moat Houses shareholders action group, yesterday went to the High Court with a petition under S459 of the Companies Act.

He asserted that the company's affairs had been or were being conducted in a manner unfairly prejudicial to shareholders' interests. The court set a hearing date of January 11.

Mr Woodhams' criticisms have centred on the substantial difference between two valuations of the group's properties. He said he had asked the company for details of the valuations but had been denied the information requested. The action group has called for the valuations to be made available to shareholders at the company's head office.

Mr Andrew Coppel, chief executive of QMH, said "when proposals are put to shareholders in connection with the financial restructuring, which is essential for the group's viability, full disclosure will be made in accordance with the rules of the London Stock Exchange so that all shareholders can vote on the merits of the proposals."

The company used the lower figure, of £861m from valuers Jones Lang Wootton, in its 1992 accounts. Advisers to QMH pointed out that the group's auditors had not qualified the accounts in respect of the 1992 valuation, only in respect of the 1991 valuation.

Another valuation is to be carried out, as at December 31 this year, probably by Jones Lang Wootton again. Property experts think this could show a rise in UK hotel values, but a further fall in those of the continental European hotels.

Mr Woodhams' move comes ahead of the group's annual meeting on Monday, at which some shareholders are expected to vote against adopting the annual report. Mr Woodhams claimed the shareholders action group now represented 28m shares, 3 per cent of the total equity.

Mr John Bairstow, former chairman of QMH, who holds less than 1 per cent of the equity, is also expected to vote against.

The company is said to be "quietly confident" about winning the vote.

It also emerged yesterday that Mr Coppel and Mr Andrew Le Poidevin, whose remuneration packages have drawn criticism, had both been offered higher salaries when originally appointed by the previous directors. The total remuneration package of the new board is less than half that received by the previous board.

Bourne End purchases and rights

By David Blackwell

Bourne End Properties is effectively trebling in size through two acquisitions and a rights issue.

The 63 per cent stake held by Mr Leo Noe, chief executive, through his company Vasella, will fall to 36 per cent after the deal.

The shares were suspended at 97p pending an announcement on the deal in October, when the group announced reduced losses of £145,000 (£543,000) for the six months to end-June.

There are three elements to the deal, which will leave the group with gross assets of £135m and net assets of £35.1m.

● Bourne will acquire from Mr Noe property independently valued at £44m and with debts totalling £33.4m. It will pay £600,000 in cash and issue 13.9m shares at a notional price of 70p apiece.

● Bourne will acquire from Dawnay Day property independently valued at £48.1m and with debts totalling £36.5m. It will pay £5.95m in cash and an issue of 5.8m ordinary shares, also at a notional 70p.

● It will make a 3-for-1 rights issue at 65p a share, fully underwritten by Credit Lyonnais Laing, to raise approximately £16.3m before expenses.

Mr Noe is not taking up his rights; Credit Lyonnais will place the entitlement of 15.9m shares.

Air Europe supervisors may seek compensation from BA

By Andrew Jack

Supervisors to Air Europe, the leisure group that crashed in March 1991, are considering seeking possible compensation from British Airways in connection with the collapse of the company.

The details emerged on the day that unsecured creditors to Air Europe received a dividend of 5.35p in the pound in efforts to provide a speedy settlement of claims.

It emerged at the time of the £610,000 High Court settlement of BA with Virgin Atlantic in January in connection with anti-competitive "dirty tricks" that Air Europe had been co-operating with Virgin.

Mr Phil Wallace, one of the supervisors from accountants KPMG Peat Marwick, said yesterday: "We have watched the proceedings with interest. We are still investigating the relationship between BA and Air Europe given what came out of the Virgin case." He said money had been allocated to fund an investigation. "I am persuaded that we should continue. It is conceivable that something could come out there."

BA last night rejected any suggestion that there was a case to answer. "The reasons for Air Europe's downfall are well documented and are nothing to do with any contact with British Airways. We continue to offer assistance to the administrators as sought."

Mr Wallace said the payment was likely to be in final settlement to most creditors. It was approved by the largest 11 creditors to Air Europe – those owed over £5m each – who have agreed to accept a lower interim dividend of 4p in the pound. In exchange, the supervisors will incur lower costs in communicating with the remaining 7,000 creditors, who would otherwise have had to wait longer for the settlement of disputed claims of over £6m.

Mr Wallace said the largest creditors could ultimately receive a dividend of between 4p and 5.35p, depending on the outcome of "half a dozen" disputes. The figure for all creditors would be further boosted by any recoveries from BA.

Merrett syndicate support

By Richard Lapper

Members agents at Lloyd's of London were increasingly confident yesterday that Syndicate 418, the biggest of six syndicates managed by Merrett Underwriting Agency Management, the Lloyd's agency, will continue underwriting next year.

It is understood that negotiations to transfer administration of the syndicate, one of the most important at the Lloyd's insurance market, to another leading managing agency were well advanced last night.

It had been feared that a sharp fall in backing from members' agents – who channel Names onto Lloyd's syndicates – would force 418 to close next year, leaving several thousand Names with a potentially expensive bill to run-off (meet claims on policies affecting) the syndicate's 1991, 1992 and 1993 years of account.

Members agents, who cold shouldered the Merrett syndicates earlier this year, are thought to have offered more capacity on condition that the syndicate's management is transferred to a new agency.

The breakthrough follows the intervention of Mr Peter Middleton, chief executive of Lloyd's, and the creation of a steering group to co-ordinate rescue efforts. Agents are less confident, however, about the prospects for syndicate 1067, which is still likely to go into run-off. 1067's underwriter, Mr Stewart Laderman joined Zurich Re, the Swiss reinsurance company, last week.

It had already been expected that the management of four smaller Merrett syndicates – numbers 179, 332, 1038 and 1184 – would be transferred to other Lloyd's agencies.

Two weeks ago, Travelers Insurance of the US, withdrew a plan which would have provided extra backing to compensate for the fall off in agency support, plunging the group into crisis.

Multitone Electronics falls sharply to £40,000 at midway

By Paul Taylor

Multitone Electronics, the paging equipment manufacturer which is the subject of a £21.5m recommended bid by Champion Technology, the Hong Kong-based telepaging group, yesterday reported sharply lower interim profits.

The group warned last month that it expected to report a small pre-tax loss in the first half because a new distribution agreement had taken longer to come into full effect and there had been a delay in the introduction of an important new product.

In the event the group said turnover was better than expected in October, generating pre-tax profits of £40,000 in the 26 weeks to October 31, down from £875,000 last time.

Turnover was flat at £12.2m (£12.1m) while operating costs were higher, particularly the cost of imported components, and market conditions prevented these increased costs from being passed on. As a result, operating profits fell by 34 per cent to £1.34m (£2.05m).

Development expenditure at £1.16m was little changed in real terms and trading profit dropped to £184,000 (£932,000).

A disproportionate tax charge of £209,000 (£271,000), reflecting the high level of tax on profits earned in Germany and ACT written off, resulted in a net loss of £169,000 or 1.12p per share, compared with earnings of 7.17p a year earlier.

The interim dividend of 1.5p is maintained. The share price was unchanged yesterday at 140p, compared with the 143p Champion offer.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BM	fin	nil	-	2.9	0.5	5
Cambridge Water	int	65	Jan 4	55	-	170
Clyde Blowers	fin	8†	Jan 12	7.07	12	7.9
Dart	int	1.3	Jan 14	1.3	-	3.3
Drayton Blue	int	2.905	Jan 21	2.905	-	8.4
Multitone Elect	int	1.5	Jan 7	1.5	-	3.5
OMI Intl	int	0.75	Feb 28	0.75	-	1.75
Perpetual	fin	13.2	Jan 17	3.6	15	4.8
Scottish Inv Tst	fin	3.2	Feb 11	3.02	4.9	4.62
Stoddard Sekers	int	0.75	Jan 7	0.75	-	1.5
Thwaites (D)	int	1.2	Jan 4	1	-	3.9
Vistec	int	0.125	Jan 13	0.125	-	0.375

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Capital Industries shares fall 34p

Shares in Capital Industries fell 34p to 114p yesterday as the company confirmed fears referred to in its interim statement that the installation and commissioning of a new coating head at Samuel Jones, its paper laminating subsidiary, had caused production delays and some erosion of gross margins.

Stoddard Sekers falls to £167,000

Stoddard Sekers International, the Renfrewshire-based carpet and furnishing fabric group, suffered a further sharp decline in profits in the six months to September 30.

The shares fell 6p to 39p.

Although turnover improved some 8 per cent to £27.4m – reflecting the inclusion of BMK for the full half year against just four months last time – the pre-tax line tumbled to £167,000 (£432,000).

Mr Hugh Laughland, chairman, described the economic environment as in a "fragile and patchy recovery mode". Demand in the carpet industry remained flat and any volume gains were only being achieved "in the face of extreme price pressure".

However, he said that order books in the carpet companies were ahead of the same stage of 1992.

The interim is held at 0.75p.

Burnfield shares fall 26p after profits warning

By Paul Taylor

Shares in Burnfield fell by 30 per cent yesterday after the electric surface heating and industrial controls and measurement group issued a profits warning and said that Mr Ian Staples, chief executive, had resigned by mutual agreement with immediate effect.

The West Midlands-based group's shares closed down 26p at 57p, a new low, after the board forecast a £500,000 second-half pre-tax loss and said it intends to cut the final dividend to 0.85p from 4.1p last year, making a total for the year of 2.5p (5.75p).

The £500,000 pre-tax loss expected for the six months to December 31 mainly reflects £1.5m of non-recurring costs. The group reported a £1.27m pre-tax profit at the interim stage so full year pre-tax profits are expected to total £750,000.

The second-half non-recurring charges include the costs of redundancies and reorganisation at Isopad, the surface heating business, and Budenberg, the measurement equipment business acquired in 1991. They also cover the withdrawal from a possible acquisition and management reorganisation costs including a £115,000 payment to Mr Staples.

The group's main problems centre on the Budenberg pressure gauge and calibration equipment business which has been affected by low levels of demand in the UK and continental Europe since the first quarter, compounded by losses incurred through the introduction of a new range of pressure gauges.

As part of series of management and board changes Mr Clive Snowdon, Burnfield's finance director, has been appointed managing director. Mr Brian McGowan, the former chief executive of Williams Holdings, remains non-executive chairman.

Clyde Blowers back in black at £205,000

Clyde Blowers, the producer of cleaning equipment for boilers, returned to the black in the year to August 31. Profits were £205,000 pre-tax, against losses of £141,000. Turnover grew to £7.41m (£4.63m).

At the operating level, however, there were losses of £269,000 (£253,000), more than offset by income from investments of £474,000 (£264,000). Earnings were 14.73p (losses 4.3p) and the final dividend is 8p to make 12p (7.9p).

Vistec declines 14% to £1.31m

Pre-tax profits of Vistec Group, the USM-quoted supplier of computer systems, fell by 14 per cent from £1.31m to £1.26m in the six months to end October 31.

Turnover was down by 6 per cent to £17.6m (£18.7m). Earnings decreased to 0.62p (0.73p) and the interim dividend is maintained at 0.125p.

Mr Arthur Morton, chairman, said trading had been "patchy".

The exploitation of a quirk of nature

Richard Gourlay previews the £100m flotation early next year of Chiroscience

Chiroscience, a pharmaceuticals discovery and manufacturing company that specialises in single isomer drugs, has announced it is to float in mid-January, in a £100m flotation.

Robert Fleming, the company's advisers, have decided to postpone the float from this month to mid-January because of fatigue in the new issues market.

Chiroscience was aware it was following a string of new bio-technology companies to market and may well have been influenced by the fact it was following Celltech, which on Thursday completed the UK's largest new pharmaceutical company float.

Chiroscience is another creation to emerge from Enzymatix, a creation of Mr Chris Evans, a scientist who floated diagnostics company Celsis earlier this year.

The board includes chief executive Mr Nowell Stebbing, veteran of US bio-technology successes Amgen and Genentech, but he will be assuming an executive chairman's role for health reasons.

He is replaced by Mr John Padfield, managing director of Glaxo Manufacturing Services, who has responsibility for product development and brings experience of new product introduction, according to Mr Stebbing.

Chiroscience, which has never made a profit, is exploiting a quirk of nature that has caught the imagination of the big drug manufacturers. It is based on the discovery 150 years ago by Louis Pasteur that many molecules exist in chemically identical but physically different forms or isomers.

One example of this property – called chirality – is found in the smell of oranges and lemons. Both fragrances are produced by chemically identical molecules of limonene. Physically, however, the molecules are mirror images of one another and thus generate a different smell.

The pharmaceutical companies are interested because it is widely recognised that the active component of many drugs is found only in one of the two chiral molecules.

The other molecule is sometimes very harmful. One of the Thalidomide isomers, for example, was an effective sedative, but the other damaged the developing foetus. The theory is that if only the active isomer was synthesised, drugs would act more specifically on the cells they need to reach.

Chiroscience's prospects were given a significant boost in June last year when the US Food and Drug Administration said that companies developing drugs with more than one isomer would have to carry out tests on each isomer as well as the "mixed" final product.

The company is pursuing three paths. Its profitable manufacturing business is making single isomer compounds for third parties to use in their own drugs. Among its customers are Abbott, Glaxo, Pfizer and Wellcome.

In an extension of this programme, Menarini, an Italian company, in June signed a 10-year agreement for Chiros - as the company was then called - to make a single isomer version of Ketoprofen, a chronic pain drug already sold in a chiral form.

Trevor Humphries

Nowell Stebbing (left), chief executive, and Chris Evans, chief scientific officer: most of £35m raised will stay within company

Chiroscience expects this drug, now going through registration in Spain, to be in the market by late 1994. Mr Stebbing says there is a worldwide market of $500m (£336m).

The second path involves development of single isomer versions of existing drugs that are coming off patent. Because these drugs have been registered in a form that has both isomers, Chiroscience expects its single isomer versions to pass rapidly through the clinic and registration.

Its most advanced development is a single isomer version of Bupivacane, an Astra product that is a long acting local anaesthetic. It is currently in phase one of clinical trials. Chiroscience has three other single isomer versions of existing drugs in pre-clinical trials.

Finally, Chiroscience is trying to develop single isomer drugs from original research, concentrating on oncology, arthritis and cognitive disorders. These products will take as long to develop as any new drug developed by pharmaceutical companies and are only at a research stage.

Unlike many of the new bioscience companies recently floated, Chiroscience has internally generated cash flow which will slow the rate at which the research and development side of the business swallows money.

But the results to date demonstrate just how much hope value is already carried in the new bio-technology and drug discovery companies.

In the six months to August 31 1993, Chiroscience's manufacturing business generated sales of £1.34m. Profits from this area reduced the group loss to £1.37m after a research and development spend of £1.1m.

Mr Evans expects Chiroscience to raise £35m in the flotation, most of which will stay within the company. It is not clear to what extent Schroder Ventures, Apax Partners, and 3i will seek an exit.

With £8m currently in the bank, partly from a private placing earlier this year, Chiroscience does not expect to return to the market for new funds before it is profitable in 1999, Mr Stebbing says.

This is based on the assumption that it continues to generate cash from intermediary product manufacture and that sales of these products "double each year", according to Mr Stebbing.

In the short term, he expects sales to be more than £2m by the year end and £6m in 1994.

Panmure Gordon is the broker.

One of the company's forecourts: Swithland's unsuccessful flotation valued the group at £21m. The sponsors, Ionian Corporate Finance, said they were 'shocked' by the receiver's appointment

Swithland in receivership as debts total £17m

By Catherine Milton

Swithland Group, the new and used car dealership, has shocked the City by going into receivership with debts of about £17m less than two weeks since it failed to float on the Stock Exchange.

Directors of the Leicester-based company had forecast in the prospectus pre-tax profits of £1.69m shortly before the October 31 year-end. The last audited accounts available, provided up to June 30 this year, were unqualified by Coopers & Lybrand.

Shares were priced at 81p each and had the float gone ahead the company would have been valued at about £21m. The placing, sponsored by Ionian Corporate Finance and not underwritten, attracted some adverse press comment. Ionian, a small City firm, said: "We were shocked when we were informed that receivers had been appointed."

City concern about Swithland, where the first 50 of 330 employees have been made redundant, appeared to increase following reports about its brushes with the Office of Fair Trading on questions of consumer credit regulation and other matters.

But institutions were also said to have been worried by net cash outflows before financing in 1990, 1992 and the eight months to June 30 as well as increase in debtors. A pre-financing net cash outflow of £3.16m is recorded for the eight months ended June 30.

The issue lapsed when brokers to the placing, Harris Allday Lea & Brooks, were unable to place an agreed minimum of 48 per cent of 18.5m shares, or 67 per cent of the 26.4m total share capital, by November 12.

The receiver, Mr Myles Halley, an accountant with KPMG in Leicester, said he had been appointed on Thursday afternoon with the agreement of all its financial backers which include Lloyds Bank, County NatWest and the Bank of Wales.

He said: "Following on so soon from a possible flotation, a company going into receivership means secured and unsecured creditors will require a full investigation to be completed on how the company ended up in receivership in such a short period of time."

He added that the company had been "very highly geared" and that following the failure to float, creditors had experienced a "major loss of confidence" and increased pressure on the company.

He said it was difficult to assess the precise extent of the company's liabilities accurately but these were roughly £17m. In the prospectus net secured debt was put at £12m on September 24.

The receivers are offering all 16 sites for sale.

Bourse to probe Euro Disney share trade

By Alice Rawsthorn in Paris

The Paris stock market authorities have launched a formal inquiry into the recent volatility of the shares in Euro Disney, the troubled leisure group desperately trying to negotiate a financial restructuring package.

Euro Disney's shares have for the past fortnight been under surveillance by the Commission des Opérations de Bourse, the French market watchdog. This followed a sharp fall in the shares on November 10 when Euro Disney disclosed an unexpectedly heavy net loss of FFr5.3bn for the year ended September.

The COB is investigating the circumstances behind the share price movements to see whether there was an unauthorised leak of information. Another area of investigation is the suspension of the shares on various European markets. The shares were suspended in Brussels before Paris, but continued trading in London.

An official said the COB was also scrutinising this week's sharp fluctuations in Euro Disney shares. The shares, which were worth FFr43.7 before the loss announcement, had fallen to a low of FFr27.02 by the end of trading this Wednesday. The shares then rallied on Thursday and yesterday rose again to close FFr1.5 higher at FFr30.9.

Meanwhile the 60 international banks that hold Euro Disney's FFr20.3bn net debt are finalising discussions for the formation of a steering committee to represent them in the restructuring negotiations with Euro Disney and Walt Disney, its US parent company. The creditors include Citibank, Deutsche Bank, JP Morgan, National Westminster, Mitsubishi Trust and Barclays.

The steering committee is expected to have 11 members and to be led by Banque Nationale de Paris (BNP) or Banque Indosuez, the French banks.

The Euro Disney banks are believed to have rejected a proposal to form three separate committees – to handle the three different categories of the company's debt – in favour of setting up a single negotiating body.

Volkswagen heads for DM2bn loss

By Christopher Parkes in Wolfsburg

Volkswagen, Europe's leading carmaker, is heading for a DM2bn ($1.1bn) loss this year, Mr Ferdinand Piëch, chairman, admitted yesterday.

Group capital spending budgets are to be cut by an average DM2bn annually over the next five years to help recovery. At the same time, VW aims to save around DM3.6bn in wage costs over the next two years with the introduction of a four-day working week in Germany, Mr Piëch said.

But he gave no indication of when he expected the group, which includes the VW, Audi, Skoda and Seat brands, to return to profit. The group made a net profit of DM147m in 1992.

The parent company, VW AG, would break even this year after a profit of more than DM400m in 1992, Mr Piëch said.

The predicted recovery had quickly run out of steam, the company said. Group results were hit by "unplanned" losses at Audi, deficits in the Asia Pacific region and North America and the "extremely critical" developments at the Spanish subsidiary, Seat.

Mr Piëch, who until midsummer was confidently forecasting the group would be turned round this year after an 87 per cent profits dive in 1992, placed most of the blame for the slide into the red on events at Seat.

Continuing negotiations with Spanish union and government officials on the closure of Seat's Barcelona factory and the loss of 9,000 jobs there, gave ground for "the greatest concern", Mr Piëch said.

The group planned to spend DM600m on restructuring the Spanish business, adding to the burdens of the DM1.25bn loss already announced, and a planned DM1.5bn cash injection to save it from collapse.

VW's rolling five-year capital investment programme in the automotive business, already reduced from DM50bn to DM45bn earlier this year, will be cut to just DM35bn for the period to the end of 1998, officials said. Spending on the financial services divisions is to be cut from DM34bn to DM30.5bn.

VW also claimed yesterday that independent investigations had found no proof to support suspicions of industrial espionage against Mr José Ignacio Lopez de Arriortua, the ex-General Motors director who joined VW last March.

But an abbreviated version of a report by auditors KPMG Deutsche Treuhand, distributed yesterday, said investigators had failed fully to clarify the events in late March when, according to VW, 20 cartons of Mr Lopez's "personal" papers were shredded on his orders.

Carefully-worded VW statements said no evidence had been found that "secret" data from GM or Adam Opel, the US group's German subsidiary, had been "available or used" at the company.

Mr David Herman, Opel chairman, yesterday accused VW of "diversionary manoeuvres" and manipulating and confusing public opinion.

In a statement prepared on the basis of recent selective leaks from the KPMG report, he said VW was trying to mislead the public by acting as a judge in its own matter.

Mr Herman pointed to Mr Lopez's contradictory sworn statements and criminal investigations against him, and said the VW board had known for some time that he and his followers – despite denials – "actually had cartons of material moved to Wolfsburg".

VW yesterday would not answer questions relating to the suspected theft of GM or Opel secrets by Mr Lopez or his colleagues.

Two more against Volvo-Renault link

By Hugh Carnegy in Stockholm

The momentum sought by Volvo for the proposed merger of its car and truck operations with France's Renault slowed yesterday when two shareholders announced their rejection of the deal.

Fund 92-94, a state-owned investment institution which holds 2.5 per cent of Volvo's voting capital, and Föreningsbanken's investment fund, which holds 0.7 per cent, both cited concerns about the privatisation of Renault in their decisions to vote against the merger at a special shareholders' meeting on December 7.

Their stance still left the opposition camp trailing well behind the votes in favour following the decision on Thursday to support the deal by the Fourth Fund state pension fund and the Folksam insurance company, two of the biggest institutional shareholders.

Last night, Volvo could count on about 30 per cent of the voting stock, including Renault's 10 per cent and 9 per cent held by Volvo sister companies. Institutions definitely committed to voting against the deal hold 4.5 per cent.

Aktiespararna, the small shareholder's association and a critic of the merger, estimates its members have 6 per cent of the votes, but it is unclear how many proxies it will hold.

A group of eight Swedish institutions, controlling close to 30 per cent of the votes, have yet to make their final decisions. Three of these, the insurance groups Skandia, Trygg-Hansa and SPP, which together hold 9.6 per cent, previously expressed opposition. Their final positions are expected next week.

Volvo wants to achieve a clear majority, partly to fend off the threat of a legal challenge from Aktiespararna which says the merger requires a change in Volvo's articles of association, a move that would need a two-thirds majority rather than a simple majority.

Fund 92-94 and Föreningsbanken said their concerns about the uncertainties surrounding the privatisation of Renault had not been allayed by assurances from the French government that it intended selling off its 65 per cent share in the merged company by the end of next year and would not use a planned golden share to dilute Volvo's 35 per cent share.

● A split within the trade unions at Volvo deepened yesterday when SIF, the white collar union whose 5,000 Volvo members are strongly opposed to the Renault merger, quit the joint union negotiating committee it sat on with the blue collar unions, which support the deal.

Profits plummet at Thai Air

By Victor Mallet in Bangkok

Net profit for Thai Airways International (Thai) fell 67 per cent in the year to September, dropping to Bt1.02bn ($40.2m) from Bt3.07bn in 1992, the company announced yesterday.

Thai, partially privatised and listed on the Stock Exchange of Thailand last year, acknowledged that results were below budget – only last month it predicted net profit of about Bt1.9bn – but described them as "satisfactory" in the light of the global recession.

Thai's regional flights in Asia are profitable, but intercontinental and domestic services have performed poorly.

Operating revenue, boosted by an improvement in the tourist trade, rose 6.5 per cent to Bt58.58bn but operating expenses were up 7.3 per cent to Bt53.95bn, pushing operating profit down 2.6 per cent to Bt4.63bn; unexplained "other expenses" reduced pre-tax profit 68 per cent to Bt1.38bn.

Thai's shares have performed poorly since the privatisation and are only now approaching the initial public offering price of Bt60.

The airline planned to complete a reform of its accounting system by next month with the help of KPMG Peat Marwick Suthee to produce an accounting format more familiar to foreign investors.

"This is considered essential as Thai still needs more funding from overseas to reduce the company's interest costs," Thai said. Mr Thamnoon Wanglee, Thai president, has said Thai is considering issuing debentures with warrants or a convertible bond.

Load factor for the year was over 64 per cent, and Mr Thamnoon predicted this would rise to 67 per cent in the current year. Anticipated break-even point is 68.7 per cent, although Thai makes profits from operations other than flights, such as airport limousine services and restaurants.

Thai has proposed the formation of a new airline for domestic flights.

Rhône-Poulenc allotments scaled down

by John Ridding in Paris

Strong demand for shares in the privatisation issue of Rhône-Poulenc, the French chemicals group, has prompted the government to scale down allocations for individual investors, Mr Edmond Alphandéry, the economy minister, said yesterday.

Individual investors will receive a minimum of 16 shares in the company, the second to be privatised as part of the government's programme to sell 21 publicly-owned groups. Investors who applied for a separate allocation, to be paid for with Balladur bonds – a government debt issue launched last summer – will be entitled to a further 15 shares.

Individuals were originally offered 60 shares in Rhône Poulenc, and a further 60 if they paid with Balladur bonds.

The issue, however, was three times oversubscribed, prompting the reduced allocations and a clawback of 15 per cent of the shares allocated to institutional investors.

Mr Alphandéry described yesterday's allocations as the "very minimum". "The remainder will be shared out in the next few days" he said.

The price set for individual investors was FFr135 per share, compared with the FFr146 paid by institutional investors.

Yesterday, Rhône Poulenc's shares fell by FFr3.8 to FFr150.1.

Marked expansion at Perpetual

By Graham Deller

Shares of Perpetual yesterday jumped 49p to 789p after the UK authorised and Jersey-based offshore unit trust group reported sharply higher annual profits and hoisted its dividend.

Mr Martyn Arbib, chairman of the Henley-based group, said the profits rise – from £4.79m to £14.7m pre-tax – emanated from improved stock market sentiment and lower interest rates which stimulated demand for unit trusts.

The performance in the 12 months to September 30 was achieved on turnover ahead from £246.6m to £842m.

Mr Arbib said the group enjoyed a "significant increase" in its share of an expanded market.

Net new investments amounted to £750m and this, coupled with rising stock markets and a strong investment showing, helped funds under management jump from £846m to £2.08bn.

Reflecting the buoyant outcome, the proposed final dividend goes up from 3.6p to 13.2p, bringing the total for the year to 15p, against 4.8p.

On Demand Info gets £39.8m tag

By Catherine Milton

A price of 78p was yesterday fixed for the flotation of On Demand Information valuing the electronic publishing company at £39.8m.

ODI delivers a range of information such as directories, manuals, magazines and brochures via a computer terminal instead of the printed form. The company said that the information appears on the screen in exactly the same format as it does on paper.

Albert Sharp, its broker, has placed with institutions 12.75m shares, 25 per cent of the expanded capital. The flotation will raise £9.15m, net of expenses, for the company.

The prospectus, printed in Bradford, was delayed by poor traffic conditions due to fog which meant no balance sheet figures were available at time of going to print. No profits forecast has been made.

Analysts said the figures available suggested the company would continue to make losses for at least 18 months. It incurred operating losses of £803,000 (£113,000) in the year to July 31.

The company, which has been the subject of some adverse press comment, was started five years ago as a division of Poulter Communications, a large media communications group, the bulk of which is remaining in private control.

No existing shareholders have sold in the placing and directors and their families have retained a 48.2 per cent stake. Mr Graham Poulter, ODI's chairman and founder of Poulter Communications, holding 40 per cent with his family trusts. Existing shareholders have undertaken not to sell their stock for two years.

Outokumpu to raise FM750m by share issue

By Kenneth Gooding, Mining Correspondent

Shares in Outokumpu, the Finnish mining and metals group, fell yesterday on news that the Finnish mining and metals group plans to raise about FM750m ($145m) via an international offering of shares and a warning that there would be a loss in the last four months of this year.

This would be alleviated by a gain of FM270m from the sale, completed in October, of its 96 per cent interest in the OM Group, a US speciality chemicals company.

In the first eight months a fall in the value of the markka helped the group report a profit of FM133m, a substantial turnround from the FM62m loss for the same months of 1992.

Outokumpu now intends to offer 12m new A shares and lead managers, S G Warburg, Merrill Lynch International and Kansallis-Osake-Pankki, might lift the total to 14m.

Atlas Copco shows 24% advance at nine months

By Christopher Brown-Humes in Stockholm

Profits at Atlas Copco, the Swedish industrial components group, climbed 24 per cent to SKr910m ($109.8m) in the first nine months, despite sharply lower sales volumes in Europe.

The performance stemmed from a turnround in net financial items, aided by lower interest rates and exchange rate gains, to offset an 8 per cent fall in operating income.

Mr Michael Treschow, chief executive, continued to highlight the contrast between Europe – where demand remains weak – and markets such as North and South America, east Asia and Australia where the trend has been much better.

The group stands by a previous forecast that profits for the full year will exceed last year's SKr1.02bn.

The weaker krona helped drive up nine-month sales by 16 per cent to SKr13.55bn and orders by 19 per cent to SKr14.2bn.

But operating income fell to SKr826m from SKr895m, after being dragged lower by an 8-10 per cent drop in sales volumes and higher operating expenses.

The group's compressor technique and construction and mining technique divisions saw earnings fall, but cost-cutting enabled the industrial technique division to improve its result despite the difficult market.

The group had financial income of SKr84m, against SKr163m in costs a year ago. The turnround was helped by a drop in net borrowings and lower interest rates.

Thomson-CSF to acquire UK unit of Hughes

By David Buchan in Paris

Thomson-CSF, the French specialist electronics group, has agree with Hughes of the US to buy the latter's UK-based subsidiary, Hughes Rediffusion Simulation.

Hughes Rediffusion makes simulation and training equipment for a number of air forces and airlines, employing 1,300 with a turnover equivalent to FFr1bn ($170m) a year.

Thomson's simulation business is slightly larger, employing 1,700 in the UK and the US as well as in France with annual turnover of FFr 1.5bn.

The sale includes Hughes Rediffusion's entertainment systems, an Oklahoman simulator manufacturing unit, and its US airline marketing and support division.

Learmonth shares tumble on setback

By Alan Cane

Shares in Learmonth & Burchett Management Systems, a USM-quoted computing services company, lost more than a quarter of their value yesterday after interim profits sharply below expectations.

Pre-tax profits were £201,000, 73 per cent lower than last time's £753,000. The shares fell 60p to close at 163p.

Turnover increased by 22 per cent to £13.1m (£10.7m) and earnings per share amounted to 1p (3.1p).

Mr Rainer Burchett, chairman, said the profits slide was the result of slow trading conditions in the UK and a period of inactivity among the company's agents in mainland Europe: "Most of our new European business partners decided to invest seriously in sales and marketing activity only after the summer holiday period and we failed to anticipate the extent to which this would cause a deferral of first-half sales," he said.

He said the company's US subsidiary had shown rapid growth, trebling software sales from $2.1m to $6.1m (£4.09m). The Australian subsidiary had performed well, although below budget.

Mr Burchett said he expected significant improvement in the second half of the year and that profits for the whole year would be broadly similar to last year's £1.8m.

Badgerline shares end day unchanged

Shares in Badgerline, the Avon-based bus company, saw modest turnover of 2.9m shares on its first day of trading yesterday and closed unchanged on the day at 115p, after fluctuating between 112p and 117p.

The flotation price valued the group at £99.3m.

Lazard Brothers, Badgerline's merchant bank, placed 23.4m shares with institutions and other investors. The offer of a further 14.2m shares to the public had been 1.7 times subscribed.

Japan's trust banks slide average 44%

By Robert Thomson in Tokyo

Japan's seven trust banks and three long-term credit banks yesterday completed the bleak picture for the industry by reporting sharply lower interim profits and admitting to an increase in their non-performing loans.

Core business profits at the trust banks rose by an average 18.7 per cent in the first half to September, as falling interest rates generated a favourable spread, though an increase in loss provisions left the banks with pre-tax profits down an average 43.9 per cent.

Concern about the health of the Japanese banking system is thought by brokers to have triggered the 2.9 per cent fall in Tokyo stocks yesterday. Investors apparently noted that the banks did not take advantage of favourable trading conditions in the past two years to write-off losses on loans made during the bubble era of the late 1980s.

Trust banks are heavily exposed to the troubled property market, but generally suggested that their non-performing loans are growing less quickly than those of the leading commercial banks, which said their problem loans grew 9.6 per cent during the half.

The trust banks' non-performing loans expanded by an average 4.8 per cent, though Chuo Trust and Banking had a 30.6 per cent increase and Nippon Trust Bank 16.8 per cent. Problem loans rose by only 1.8 per cent at Mitsui Trust and Banking, and by 1.3 per cent at Mitsubishi Trust and Banking.

But the banks use a narrow definition of "non-performing", and do not count loans on which interest rates have been cut to almost zero as part of a restructuring. They also do not include the loans of affiliates for which they may be ultimately responsible.

Yasuda Trust and Banking said its net profit fell partly because of a Y14.6bn ($136.4m) reduction in net gains on securities and Y8.6bn in losses on the sale of loans to the Cooperative Credit Purchasing Company, established by Japanese banks this year to soak up their property-related problem loans.

One sign of the pressure on core profits was that net interest income at Yasuda slipped Y4.7bn during the year to a loss of Y1.2bn. The bank said lower domestic interest rates should improve earnings during the second half, though an increase in loan losses will work against growth in net profits.

The three long-term credit banks reported particularly large falls in their core business earnings, which was blamed on an accounting change that reduced the profits generated bu discount bank debentures. Core banking profits at the business profits slipped by an average 42.3 per cent.

The Industrial Bank of Japan and the Long-Term Credit Bank of Japan reported smaller falls in net profit, achieved through the sale of securities, but the Nippon Credit Bank saw net profits fall by 51.1 per cent to Y6.6bn.

TRUST BANKS
Six months to end-September (Ybn)

	Pre-tax profit	Change on year (%)	Non-performing loans	Change on year* (%)
Mitsubishi	16.5	-44.4	569.3	1.3
Sumitomo	16.5	-41.6	460.6	4.0
Mitsui	9.8	-28.5	571.1	1.8
Yasuda	10.0	-53.1	424.8	4.1
Toyo	5.3	-51.7	299.0	4.3
Chuo	3.4	-37.7	177.5	30.6
Nippon	1.4	-47.1	85.4	16.8
LONG-TERM CREDIT BANKS				
IBJ	33.3	-6.0	558.9	2.9
LTCB	21.3	-7.2	731.0	2.2
Nippon Credit	17.9	-20.0	608.8	2.9

*Change is from end March 1993 Source: Company reports

France confirms privatisation of insurance group

By Alice Rawsthorn

Union des Assurances de Paris (UAP), the largest French insurance group, yesterday was confirmed as the fifth candidate for sale in France's ambitious privatisation programme.

Mr Edmond Alphandéry, economy minister, said that the state will sell its majority stake in UAP, which is the biggest single institutional investor in France, after completing the sales of Elf Aquitaine, the oil group, and Banque Hervet. UAP's shares rose by FFr8 to FFr638 on the news.

The announcement followed months of political manoeuvring by Mr Jean Peyrelevade, former chairman of UAP who earlier this month moved to the Crédit Lyonnais banking group. He was anxious to ensure that UAP was privatised before the other two state-controlled insurers, AGF and GAN.

UAP is now recovering after sustaining a sharp fall in profits in 1992. Mr Simon Rudolph, European insurance analyst at Morgan Stanley in London, expects net profits to rise from FFr1.08bn in 1992 to FFr1.8bn ($300m) in 1993 and to FFr2.5bn next year.

OMI International stages recovery with £237,000

By Catherine Milton

OMI International, the electro-hydraulics, logistics and electro-optics company, returned to pre-tax profits with £237,000 in the six months to September 30, against losses of £2.69m in the comparable period.

Turnover fell to £17.8m (£20.8m). Forward Industries, acquired five months ago, contributed sales of £3m but the figures lacked last time's £3.75m contribution from some design businesses which had been sold.

"I do not anticipate any real change in trading conditions over the second half of this financial year," said Mr Gil Williams, chairman.

The board declared a maintained interim dividend of 0.75p, uncovered by earnings per share of 0.5p (6.1p losses), on the back of results slightly ahead of expectations and as a measure of "quiet optimism" about prospects.

Sales in the logistics services businesses fell due to lower spares support activity, in spite of a 30 per cent increase in newer technology products. Trading profits improved 17 per cent to £385,000 on sales down at £6.1m (£6.45m).

The company said the design business was unlikely to make a loss in the second half, but reported operating losses of £252,000 (£177,000) this time, on sales down at £4.58m (£6.27m).

Forward had performed well and the other manufacturing businesses were healthy with profits for the division climbing to £652,000 (£504,000) on sales up at £4.12m (£3.81m).

Interest payable climbed to £242,000 (£96,000), including an extra £100,000 for the loan taken out to cover the Forward acquisition.

Net borrowings and finance leases rose to £6.64m (£2.59m) giving gearing of 49.6 per cent, with the increase mainly attributable to Forward.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Oil slides after Opec talks failure

The last prop was knocked from under the oil market on Wednesday when ministers of the Organisation of Petroleum Exporting Countries, meeting in Vienna, abandoned their attempt to agree a reduced production ceiling.

The next day saw crude prices plunge nearly 80 cents a barrel to touch a five year low, and in late trading yesterday the February futures position at the International Petroleum Exchange was still languishing at $14.75 a barrel, down $1.27 on the week.

The week began with traders cautiously hopeful that the Opec ministers would bite the bullet, and the February futures price edged up 28 cents a barrel on Monday moring. That gain was quickly erased, however, as the meeting got down to business and it became apparent that consensus was sadly lacking.

Despite flagging demand in consuming countries and a resulting decline in prices several of the ministers proved immovably opposed to making the cut of between 3 and 5 per cent in the 24.52m barrels-a-day ceiling that analysts thought necessary to reverse the slide.

For the platinum and palladium markets Tuesday was an uncomfortable day. Already tending lower, the prices took something of a hammering after Engelhard Corporation of the US announced that it had developed a new motor emission control system. Fearing that this would threaten the use of the platinum group metals in the manufacture of autocatalysts, traders at the New York Mercantile Exchange marked down platinum's January futures price by 2.3 per cent to $372.10 a troy ounce and palladium's March price by 2.75 per cent to $125.50 an ounce.

It transpired, however, that the Engelhard system, which trapped hydrocarbon emissions during the first two minutes of vehicle operation that a catalytic converter took to become effective, would be an addition to, rather than a replacement for, traditional converters using platinum group metals.

Most of the falls were therefore recovered. Before the Thanksgiving closure Nymex's January platinum price was quoted at $375.7 an ounce and further gains were subsequently made in London.

At the London Commodity Exchange most attention was focused on the cocoa market, which moved up to test a fresh resistance area after last week's climb to five-year highs.

A £35 retreat to £1,005 a tonne in the March futures position was reversed on Wednesday afternoon, and the upturn was extended on Thursday, when a new high of £1,250 a tonne was reached. Yesterday's continued rise was halted just short of the £1,059 peak reached in July 1988.

The cocoa market has been buoyed recently by hopes that the supply/demand deficits of the past two seasons could augur a longer term drawdown from world stocks. But the latest rise was attributed in part to concern about the political situation in the Ivory Coast, the world's biggest cocoa producer, following rumours early in the week of the death of the country's veteran President Houphouet-Boigny and a subsequent blackout on news of him.

Base metals prices were generally held in narrow ranges at the London Metal Exchange. The exception was lead, which jumped $11.75 in the three months position yesterday to end $14.75 up on the week at $428.50 a tonne. Dealers gave the credit to chart-based buying that succeeded in breaking resistance in the $415-$430 area.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+14,875	to 2,382,975
Aluminium alloy	+160	to 49,160
Copper	+1,225	to 585,975
Lead	+1,500	to 289,325
Nickel	+300	to 118,498
Zinc	+3,775	to 958,350
Tin	-985	to 19,045

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993 High	1993 Low
Gold per troy oz.	$377.00	-1.60	$334.05	$405.75	[illegible]
Silver per troy oz	315.50p	-4.80	249.50p	382.90p	236.00p
Aluminium 99.7% (cash)	$1038.00	-4.50	$1197.50	$1240.00	$1022.50
Copper Grade A (cash)	$1600.50	+6.00	$1450.50	$2375.00	$1106.50
Lead (cash)	$415.50	+15.00	[illegible]	$460.00	$361.50
Nickel (cash)	$4677.50	+7.50	$6010	$6340	$4043.5
Zinc SHG (cash)	$924.50	-2.60	$1126.50	$1112	$905.0
Tin (cash)	$4622.50	-5.00	$5715	$5047.5	$4340.0
Cocoa Futures Mar	£1053	+13	£737	£1053	£663
Coffee Futures Jan	$1266	+2	$856	$1297	$836
Sugar (LDP Raw)	$263.40	-0.90	$219.40	$317.4	$204.5
Barley Futures Mar	£105.75	N/C	[illegible]	£110.30	£101.50
Wheat Futures Mar	£101.65	+0.20	£138.60	£148.45	£99.65
Cotton Outlook A index	56.20c	+1.10	53.10c	62.35c	54.15c
Wool (64s Super)	344p	-9	427p	403p	319p
Oil (Brent Blend)	$14.46x	-1.425	[illegible]	$19.53	$14.46

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Jan.

Spices
Complete lack of activity during the past fortnight has brought a weaker market for all grades of black and white pepper, reports Man Producten. In spite of the relatively low stocks everywhere more selling pressure has accumulated lately and prices started to drop faster, especially for white pepper. White muntok pepper is being offered at $2,600 a tonne, cif, and black pepper grade 1 can be bought at $1,400, cif. White is certainly still overvalued whereas the opposite is true for black.

November 26 - COMEX, CSCE, NYCE and NYMEX markets closed.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100)

Nov 26	Nov 25	month ago	year ago
1627.5	1627.0	1604.0	1656.5

CRB (Base: 4/9/56=100)

Nov 25	Nov 24	month ago	year ago
(a)	222.53	-	-

LONDON SPOT MARKETS

CRUDE OIL FOB (per barrel/Jan)		+or-
Dubai	$12.76-2.86	-.075
Brent Blend (dated)	$14.21-4.25	-0.13
Brent Blend (Jan)	$14.44-4.46	-0.10
W.T.I. (1pm est)	-	
OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$156-158	-4
Gas Oil	$168-170	+0.5
Heavy Fuel Oil	$58-60	
Naphtha	$143-145	-2
Jet fuel	$184-186	+1
Petroleum Argus Estimates		
OTHER		
Gold (per troy oz)♣	$377.00	-0.60
Silver (per troy oz)♣	480.00c	
Platinum (per troy oz.)	$374.75	+1.50
Palladium (per troy oz.)	$125.50	-0.50
Copper (US prod.)	79.5c	
Lead (US prod.)	33.75c	
Tin (Kuala Lumpur)	11.65r	+0.05
Tin (New York)	213.50	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	120.65p	+1.81*
Sheep (live weight)†♣	81.31p	+3.61*
Pigs (live weight)	74.21p	+8.11*
Lon. day sugar (raw)	$263.40	+1.10
Lon. day sugar (wte)	$288.50	+1.50
Tate & Lyle export	£289.00	+1.00
Barley (Eng. feed)	£109.50y	
Maize (US No3 Yellow)	£123.00	
Wheat (US Dark North)	£175.00	
Rubber (Jan)♥	59.75p	-0.50
Rubber (Feb)♥	61.00p	-0.50
Rubber (KL RSS No1 Jul)	206.0m	
Coconut Oil (Phil)§	$502.5t	-2.5
Palm Oil (Malay.)§	$367.5y	+5.0
Copra (Phil)§	$317.50	
Soyabeans (US)	£205.0	
Cotton 'A' Index	56.20c	
Wooltops (64s Super)	344p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. t Jan. s Sep/Oct. † Dec/Jan. x Nov/Dec. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	121.0600	-	6.60	6.75	6.46
Belgium		9.000	03/03	114.7600	+0.350	6.60	6.66	7.11
Canada *		7.500	12/03	104.5500	+0.800	6.86	6.86	6.77
Denmark		8.000	05/03	111.2000	+0.450	6.36	5.83	6.36
France	BTAN	8.500	05/98	109.1200	-	5.35	5.06	6.11
	OAT	8.750	10/03	106.4000	-0.050	6.00	5.96	5.88
Germany		6.000	09/03	101.0400	+0.230	5.85	5.81	5.85
Italy		9.000	10/03	98.5000	-0.120	9.23†	9.15	9.40
Japan	No 119	4.800	06/99	109.0030	+0.050	2.92	3.00	2.99
	No 157-4	4.600	03/03	107.5690	+0.230	3.64	3.64	3.67
Netherlands		6.500	04/03	104.6500	-	5.84	5.75	5.75
Spain		10.500	10/03	112.7500	+0.360	8.64	8.61	8.44
UK Gilts		9.750	01/98	113-03	+2/32	6.06	6.11	6.22
		8.000	06/03	109-02	-1/32	6.70	6.66	6.83
		9.000	10/08	118-15	+11/32	6.99	7.03	7.19
US Treasury *		5.750	08/03	99-28	+4/32	5.77	5.83	5.40
		6.250	08/23	99-23	+12/32	6.27	6.34	5.96
ECU (French Govt)		8.000	04/03	111.0000	+0.200	6.35	6.27	6.36

London closing. *New York mid-day. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115-17	116-01	+0.22	116-06	115-17	230,114	219,112
Mar	114-14	114-24	+0.22	114-28	114-11	20,181	55,261
Jun	113-23	113-21	+0.22	113-25	113-10	189	8,436
Sep	112-22	112-22	+0.22	112-25	112-13	40	12,629

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
116	1-51	3-18	1-38	2-50
116	1-21	1-65	2-09	3-23
117	0-61	1-41	2-49	3-66

Est. vol. total, Calls 2942 Puts 908. Previous day's open int., Calls 36753 Puts 12123

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Honduras presidential and general elections; Taiwan holds local government elections.

MONDAY: Summary monetary statistics: M0 (Nov-provisional), M4 and lending (Oct-final); Sir Brian Unwin, president of the European Investment Bank, opens the Seventh European Finance Convention and Ecu Week on steps to monetary union; Western European Union Assembly in Paris until Dec 2; EU justice ministers meet in Brussels; Mr Paul Martin, Canada's finance minister, details Liberal government's economic policies in key speech in Montreal.

TUESDAY: Mr Kenneth Clarke, chancellor, presents UK budget; monthly digest of statistics (Nov); economic trends (Nov); Japan's second supplementary budget discussion in the Upper and Lower houses, until Dec 2; Greece's 1994 budget due to be submitted to parliament; Franco-German summit in Bonn until Dec 1; European Trade Union Confederation seminar on work councils.

WEDNESDAY: Overseas travel and tourism (Sep); advance energy statistics (Jul-Sep); European Parliament begins two-day session; final results – Bass.

THURSDAY: UK official reserves (Nov); full monetary statistics (including bank and building society sheets) (Oct/Nov); London sterling certificates of deposit (Oct); Bill turnover statistics (Oct); sterling commercial paper (Oct); money market statistics (Oct); EU foreign ministers hold talks on Gatt Uruguay Round; EU environment and development ministers discuss growth; Nato foreign ministers meet in Brussels; US government's trade representative hosts multilateral meeting in Washington of major aluminium producing countries including Russia; final results – Grand Metropolitan, Hanson, Royal Bank of Scotland.

FRIDAY: Housing starts and completions (Oct); John Major, prime minister, meets Irish prime minister Albert Reynolds; North Atlantic Co-operation Council meets in Brussels; Nato foreign ministers meet former Warsaw Pact foreign ministers.

CURRENCIES AND MONEY

MARKETS REPORT

Profit-taking affects pound

Sterling suffered a late sell-off in traditionally thin end-of-week trading ahead of the Budget while the French franc was boosted by a reduction of central Bank debts, *writes Peter John.*

The pound fell two pfennigs from its high against the D-Mark and more than a cent against the dollar as speculators and some UK corporate selling took advantage of its recent strength.

Currency moves are generally exaggerated on Fridays and more so yesterday when cash flows were further reduced because many US dealers were still away from their desks following Thursday's Thanksgiving holiday.

Also, some economists said the enthusiastic response to Tuesday's cut in UK base rates and subsequent rise in the pound was overdone.

Chart analysts saw DM2.54 as a significant ceiling for the pound and yesterday the selling began after it hit a high of DM2.5442 against the D-Mark. There was a sharp slide in the early afternoon and a second fall an hour or so later. By the close of dealing in Europe sterling was down to DM2.5325 against the German currency from DM2.5425 previously. The pattern was mirrored against the dollar and sterling dropped to $1.4800 from $1.4885 previously.

■ Pound in New York

Nov 26	Latest	Prev. close
£ spot	1.4810	1.4885
1 mth	1.4782	1.4855
3 mth	1.4740	1.4811
1 yr	1.4594	1.4670

However, the Irish punt, seen as a cheaper version of the UK currency, continued to strengthen and closed above the D-Mark in the European Monetary system for the first time in recent weeks.

■ The French currency hit its highest level since the crisis in the exchange rate mechanism which led to a widening of ERM currency fluctuation bands on August 2. The franc was buoyed by news on Thursday that the Bank of France had repaid 80 per cent of the debts incurred at the end of July when it tried to ward off speculative attacks on the currency. It closed yesterday at FFr3.4560 to the D-Mark against FFr3.4650 previously.

■ The Finnish markka held ground in spite of a reduction in one of the country's key lending rates. The Finnish tender rate was reduced by 0.23 percentage points to 6.65 per cent but economists said the cut was anticipated.

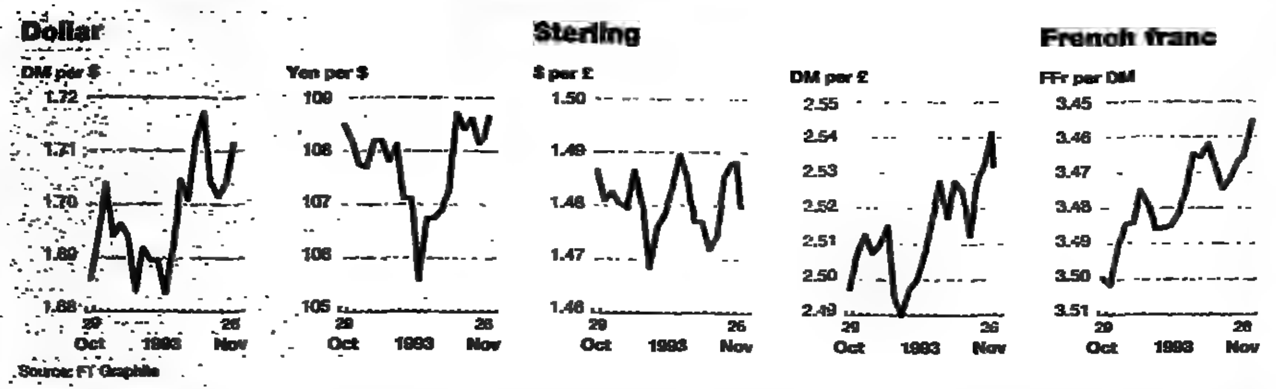
■ The Portuguese escudo fell steeply in thin afternoon trade on reports that financing for the purchase of Pego power station had been largely completed. A British-led consortium signed an Es155bn escudo contract on Thursday to buy the half-built thermal power station from the state utility, EDP - Electricidade de Portugal. The financing involved a swap of around DM1bn into escudos, dealers said.

■ Outside Europe, the Japanese yen finally weakened on heavy selling of Japanese equities while the dollar was resilient ahead of employment data next week.

The yen had survived the previous onslaught on the Nikkei because investors were repatriating funds to compensate for their losses. But economists said the persistent weakness of the Japanese stock market was finally affecting the currency which eased to Y108.65 against the dollar from Y108.30 previously.

■ The dollar has been recovering against the yen as the US economy shows signs of picking up.

It has remained within a tight range against the D-Mark and economists are looking towards the key non-farm payroll data at the end of next week for an excuse to push it above it its current ceiling of DM1.72.



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Nov 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.825	-0.05	810 - 840	17.89	17.78	17.8362	-0.8	17.8481	-0.6	-	-	114.7
Belgium	(BFr)	53.65	-0.1	600 - 700	53.95	53.45	53.775	[illegible]	53.93	-2.1	54.28	-1.2	112.3
Denmark	(DKr)	10.0375	-0.0425	033 - 042	10.0875	10.0050	10.064	[illegible]	10.1095	-2.9	10.1945	-1.6	114.7
Finland	(FM)	8.647	-0.01	632 - 662	8.6725	8.6250	-	-	-	-	-	-	78.9
France	(FFr)	8.76	-0.0575	745 - 755	8.8025	8.7250	8.7619	-1.8	8.7778	-1.3	8.7908	-0.5	107.4
Germany	(DM)	2.5325	-0.01	530 - 535	2.5450	2.5250	2.5348	-1.1	2.536	-0.9	2.5357	-0.1	124.2
Greece	(Dr)	363.86	-0.45	460 - 250	365.000	361.500	-	-	-	-	-	-	-
Ireland	(I£)	1.0525	-0.0025	052 - 053	1.0565	1.0475	1.0534	-1.1	1.0546	-0.9	1.0579	-0.5	102.1
Italy	(L)	2504.25	-11	750 - 750	2530.00	2498.50	2512.5	-4.0	2527.9	-3.8	2586.15	[illegible]	76.1
Luxembourg	(LFr)	53.65	-0.1	600 - 700	53.95	53.45	53.775	-2.8	53.93	-2.1	54.28	-1.2	112.3
Netherlands	(Fl)	2.8425	-0.0125	838 - 848	2.8575	2.8325	2.8442	-0.7	2.8457	-0.5	2.844	-0.1	119.3
Norway	(NKr)	11	-0.045	995 - 005	11.0575	10.9825	10.9951	0.5	10.9862	0.4	10.9977	0.0	95.9
Portugal	(Es)	259.25	-0.5	750 - 750	260.00	258.25	260.7	-6.7	263.38	-6.3	-	-	-
Spain	(Pta)	207	-0.25	850 - 150	207.95	205.90	207.745	-4.3	208.985	-3.8	213.57	-3.2	86.0
Sweden	(SKr)	12.436	-0.045	430 - 440	12.5075	12.4975	12.4605	-2.5	12.4945	-1.9	12.5975	-1.3	73.1
Switzerland	(SFr)	2.2175	-0.015	213 - 223	2.2325	2.2100	2.2162	0.7	2.2126	0.8	2.1883	1.3	114.6
UK	(£)	1	-	000 - 000	-	-	-	-	-	-	-	-	81.2
Ecu	-	1.3185	-0.005	318 - 319	1.3255	1.3135	1.3204	-1.7	1.3232	-1.4	1.3276	-0.7	-
SDR†	-	0.9328	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.478	-0.008	477 - 479	1.4880	1.4720	-	-	-	-	-	-	-
Brazil	(Cr)	339.5	+3.795	460 - 560	340.000	335.000	-	-	-	-	-	-	-
Canada	(C$)	1.9675	-0.0115	967 - 968	1.9795	1.9580	1.9767	1.4	1.973	1.2	1.9872	0.6	91.3
Mexico	(New Peso)	4.6095	-0.008	605 - 613	4.6330	4.5935	-	-	-	-	-	-	-
USA	($)	1.48	-0.0085	795 - 805	1.4890	1.4745	1.4773	2.2	1.4732	1.9	1.4587	1.4	87.1
Pacific/Middle East/Africa													
Australia	(A$)	2.234	+0.001	233 - 235	2.2480	2.2260	2.2318	0.8	2.2298	0.6	2.2276	0.2	-
Hong Kong	(HK$)	11.441	-0.0475	440 - 442	11.4975	11.3950	11.4895	2.0	11.437	1.6	11.3371	1.3	-
India	(Rs)	46.3	-0.35	250 - 350	46.70	46.25	-	-	-	-	-	-	-
Japan	(Y)	160.75	-0.5	250 - 250	161.75	160.25	160.365	2.9	160.025	3.0	156.175	3.1	180.9
Malaysia	(M$)	3.7845	-0.011	784 - 785	3.8030	3.7710	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.707	-0.0025	705 - 708	2.7265	2.6965	2.7108	-0.4	2.7111	-0.2	2.7169	-0.3	-
Philippines	(Peso)	42.15	-	100 - 200	42.20	42.05	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.553	-0.034	552 - 554	5.5835	5.5325	-	-	-	-	-	-	-
Singapore	(S$)	2.3695	-0.0045	369 - 370	2.3830	2.3610	-	-	-	-	-	-	-
S Africa (Com.)	(R)	4.988	-0.0195	987 - 989	5.0140	4.9675	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.549	+0.0285	544 - 554	6.6250	6.5235	-	-	-	-	-	-	-
South Korea	(Won)	1195.75	-5.35	650 - 850	1202.95	1191.10	-	-	-	-	-	-	-
Taiwan	(T$)	39.825	-0.175	750 - 900	40.05	39.75	-	-	-	-	-	-	-
Thailand	(Bt)	37.5	-0.3	450 - 550	37.60	37.45	-	-	-	-	-	-	-

†SDR rate for Nov 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	12.0375	[illegible]	035 - 040	12.0510	12.0160	12.0675	-3.0	12.1075	-2.3	12.2325	-1.6	+16.70
Belgium	(BFr)	36.25	+0.15	200 - 300	36.30	36.05	36.4	-5.0	36.61	-4.0	37.215	-2.7	-0.84
Denmark	(DKr)	6.7825	+0.01	780 - 785	6.7950	6.7725	6.813	-5.4	6.863	-4.7	[illegible]	-3.1	+6.29
Finland	(FM)	5.8405	+0.019	[illegible]	5.8550	5.8100	5.8565	-3.3	5.8805	-2.7	5.9505	-1.9	-
France	(FFr)	5.9125	-0.005	910 - 915	5.9275	5.9050	5.9314	-3.8	5.9592	-3.2	6.0275	-1.9	-8.41
Germany	(D)	1.7115	+0.005	711 - 712	1.7150	1.7075	1.7161	-3.3	1.7233	[illegible]	1.7389	-1.6	+32.26
Greece	(Dr)	245.75	+0.75	500 - 000	248.500	244.750	250.05	-21.0	258.25	-20.3	293.75	-19.5	-
Ireland	(I£)	1.4065	-0.0045	406 - 407	1.4110	1.4050	1.4025	3.4	1.3965	2.8	1.3784	2.0	-
Italy	(L)	1692	+2.25	750 - 250	1702.75	1686.25	1700.65	-6.1	1718	-6.7	1773	-4.8	-37.57
Luxembourg	(LFr)	36.25	+0.15	200 - 300	36.30	36.05	36.4	-5.0	36.61	-4.0	37.215	-2.7	-0.84
Netherlands	(Fl)	1.921	+0.0035	921 - 921	1.9255	1.9175	1.9256	-2.9	1.9322	-2.3	1.9482	-1.4	+21.59
Norway	(NKr)	7.4325	+0.0125	430 - 435	7.4425	7.4025	7.4455	-2.1	7.4627	-1.6	7.5262	-1.3	-17.67
Portugal	(Es)	175.1	+0.85	050 - 150	175.50	174.10	176.4	-8.9	178.62	-8.0	186.45	-6.5	-
Spain	(Pta)	139.8	+0.6	750 - 850	139.90	139.20	140.556	-6.5	141.825	-5.8	146.45	-4.8	-33.00
Sweden	(SKr)	8.4025	+0.0175	400 - 405	8.4375	8.3575	8.4345	-4.6	8.4825	-3.8	8.6375	-2.8	-39.05
Switzerland	(SFr)	1.4975	-0.002	497 - 498	1.5045	1.4960	1.4993	-1.5	1.5014	-1.0	1.5002	-0.2	-23.04
UK	(£)	1.48	-0.0085	795 - 805	1.4890	1.4745	1.4773	2.2	1.4732	1.9	1.4587	1.4	-28.04
Ecu	-	1.123	-0.0015	122 - 123	1.1255	1.1215	1.1193	4.0	1.1134	3.4	1.0987	2.2	-
SDR†	-	1.389	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.998	-	998 - 998	0.9990	0.9975	-	-	-	-	-	-	-
Brazil	(Cr)	229.3	+3.545	250 - 350	229.250	229.200	-	-	-	-	-	-	-
Canada	(C$)	1.329	+0.0005	328 - 329	1.3310	1.3275	1.3282	0.7	1.3266	0.7	1.3176	0.9	-11.15
Mexico	(New Peso)	3.1135	+0.008	111 - 116	3.1165	3.1110	3.1152	-0.7	3.1193	-0.7	3.1336	-0.6	-
USA	($)	1	-	000 - 000	-	-	-	-	-	-	-	-	-10.20
Pacific/Middle East/Africa													
Australia	(A$)	1.5085	+0.007	506 - 509	1.5100	1.5070	1.5075	0.8	1.5038	1.2	1.4958	0.9	-47.28
Hong Kong	(HK$)	7.7275	-0.0015	727 - 728	7.7280	7.7265	7.7287	-0.2	7.7295	-0.1	7.7376	-0.1	-
India	(Rs)	31.3725	+0.0025	370 - 375	31.3775	31.3700	31.4475	-2.9	31.6375	-3.4	-	-	-
Japan	(Y)	108.65	+0.35	600 - 700	108.90	108.30	108.585	0.7	108.33	1.2	106.775	1.7	+121.87
Malaysia	(M$)	2.5565	+0.0045	556 - 557	2.5570	2.5535	2.562	-2.6	2.5727	-2.5	2.6165	-2.3	-
New Zealand	(NZ$)	1.828	+0.006	827 - 829	1.8315	1.8245	1.8273	0.5	1.8247	0.7	1.8174	0.6	-
Philippines	(Peso)	28.35	-	300 - 400	28.45	28.30	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.751	+0.0005	750 - 752	3.7520	3.7490	3.7585	-2.4	3.767	-1.7	3.779	-0.7	-
Singapore	(S$)	1.6005	+0.004	600 - 601	1.6035	1.5975	1.5994	0.9	1.599	0.4	1.597	0.2	-
S Africa (Com.)	(R)	3.369	+0.0015	368 - 369	3.3720	3.3665	3.386	-6.1	3.415	-5.5	3.533	-4.9	-
S Africa (Fin.)	(R)	4.425	+0.04	420 - 430	4.4575	4.4100	4.457	-8.7	4.519	-8.5	-	-	-
South Korea	(Won)	807.85	-0.1	800 - 700	808.00	807.20	810.85	-4.5	814.15	-3.2	833.05	-3.1	-
Taiwan	(T$)	26.9	-	850 - 950	26.95	26.80	26.965	-2.9	27.105	-3.0	-	-	-
Thailand	(Bt)	25.46	+0.05	400 - 500	25.60	25.40	25.4612	-0.5	25.4975	-0.7	25.76	-1.2	-

†SDR rate for Nov 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for July 1. Base average 1980/82=100

EXCHANGE CROSS RATES

Nov 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.71	16.31	4.716	1.961	4667	5.297	20.50	[illegible]	385.8	[illegible]	4.132	1.864	3.666	2.759	298.5	2.457
Denmark	(DKr)	53.44	10	8.715	2.522	1.048	2494	[illegible]	[illegible]	258.2	206.2	12.38	2.208	0.996	1.959	1.474	160.1	1.313
France	(FFr)	61.31	11.47	10	2.894	1.202	2862	3.246	12.57	296.2	236.5	14.21	2.534	1.143	2.248	1.691	183.7	1.506
Germany	(DM)	21.19	3.965	3.456	1	0.415	988.9	1.122	4.344	102.4	81.75	4.909	0.876	0.395	0.777	0.585	63.47	0.521
Ireland	(I£)	51.00	9.544	8.317	2.407	1	2380	2.702	10.46	246.4	[illegible]	11.82	2.107	0.951	1.870	1.407	152.8	1.253
Italy	(L)	2.143	0.401	0.349	0.101	0.042	100.	0.113	0.439	10.35	8.257	0.496	0.089	0.040	0.079	0.059	6.418	0.053
Netherlands	(Fl)	18.88	3.533	3.079	0.891	0.370	881.1	1	3.871	91.20	72.84	4.374	0.782	0.352	0.692	0.521	56.54	0.464
Norway	(NKr)	48.77	9.127	7.956	2.302	0.956	2276	2.584	10	235.6	188.2	11.30	2.015	0.909	1.788	1.345	146.1	1.198
Portugal	(Es)	20.70	3.873	3.376	0.977	0.406	966.0	1.096	4.244	100.	79.86	4.796	0.855	0.386	0.759	0.571	62.00	0.508
Spain	(Pta)	25.92	4.850	4.227	1.223	0.508	1210	1.373	5.314	125.2	100.	6.005	1.071	0.483	0.950	0.715	77.63	0.637
Sweden	(SKr)	43.16	8.077	7.039	2.037	0.846	2014	2.286	8.850	208.5	166.5	10	1.784	0.805	1.582	1.191	129.3	1.060
Switzerland	(SFr)	24.20	4.529	3.947	1.142	0.475	1129	[illegible]	4.962	[illegible]	93.37	5.607	1	0.451	0.887	[illegible]	72.49	0.594
UK	(£)	53.65	10.04	8.750	2.532	1.052	2504	2.842	11.00	259.2	207.0	12.43	2.217	1	1.967	1.480	160.7	1.318
Canada	(C$)	27.28	5.104	4.448	1.287	0.535	1273	1.445	5.592	131.8	105.2	6.319	1.127	0.508	1	0.752	81.70	0.670
US	($)	36.25	6.784	5.913	1.711	0.711	1692	1.920	7.432	175.1	139.9	8.399	1.498	0.676	1.329	1	108.6	0.891
Japan	(Y)	333.9	62.48	54.45	15.76	6.546	15582	17.68	68.45	1613	1288	77.35	13.80	[illegible]	12.24	9.210	1000.	8.202
Ecu		40.71	7.618	6.639	1.921	0.798	1900	2.156	8.346	196.7	157.1	9.431	1.682	0.759	1.492	1.123	121.9	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Nov 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15902	+0.00143	-1.76	4.28	-
Ireland	0.808628	0.797167	+0.000156	-1.42	3.91	10
Germany	1.94964	1.92215	+0.0014	-1.41	3.90	-
Belgium	40.2123	40.7303	+0.0481	1.29	1.14	-8
France	6.53883	6.64377	-0.01639	1.60	0.82	-13
Spain	154.250	156.800	-0.067	1.65	0.77	-12
Portugal	192.854	196.741	+0.287	2.02	0.41	-14
Denmark	7.43679	7.61816	-0.00744	2.44	0.00	-17
NON ERM MEMBERS						
Greece	264.513	275.826	-0.052	4.28	-1.76	-
Italy	1793.19	1902.56	+3.06	6.10	-3.45	-
UK	0.786749	0.757134	-0.000027	-3.76	6.45	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.5849	0.58318	-0.0028	0.5850	0.5826	28,115	133,450
Mar	0.5820	0.57929	-0.0028	0.5820	0.5786	1,228	[illegible]
Jun	-	0.57658	-0.0028	-	-	8	337
Sep	-	0.57477	-0.0028	-	-	[illegible]	12

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9235	0.9190	-0.0061	0.9235	0.9189	[illegible]	69,607
Mar	0.9220	0.9220	-0.0060	0.9239	0.9220	1,364	10,095
Jun	-	0.9256	-0.0058	-	0.9260	20	257
Sep	-	[illegible]	-0.0066	0.9315	0.9315	2	[illegible]

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6675	0.6670	-0.0020	0.6678	0.6650	11,312	58,928
Mar	0.6660	0.6654	-0.0020	0.6660	0.6639	180	1,947
Jun	-	0.6648	-0.0020	-	0.6652	11	27
Sep	-	0.6651	-0.0020	-	0.6655	1	24

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.4846	1.4784	-0.0082	1.4848	1.4726	13,065	32,281
Mar	1.4750	1.4718	[illegible]	1.4760	1.4650	1,134	3,384
Jun	-	1.4660	-0.0080	-	1.4620	313	127

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.400	7.92	7.48	7.65	0.07	0.22	0.65
1.425	5.04	5.40	5.82	0.09	0.57	1.20
1.450	2.74	3.57	4.15	0.32	1.30	2.02
1.475	1.08	2.16	[illegible]	0.99	2.25	3.10
1.500	0.20	1.20	1.85	2.62	3.71	4.66
1.525	0.02	0.59	1.13	4.81	[illegible]	6.34

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

WORLD INTEREST RATES

MONEY RATES

November 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	8⅛	7⅝	7¼	7	6⅝	8.30	5.50	-
week ago	7⅞	7⅝	7½	6⅞	6⅝	8.30	5.50	-
France	6⅞	6⅞	6⅝	6¼	5⅞	6.45	-	7.75
week ago	6⅞	6⅞	6⅝	6⅝	5¾	6.45	-	7.75
Germany	6.35	6.30	6.15	5.80	5.43	6.75	5.75	6.25
week ago	6.30	6.30	6.13	5.72	5.38	6.75	5.75	6.25
Ireland	6½	6⅝	6⅝	6	5⅞	-	-	6.75
week ago	6⅝	6⅝	6¼	5⅞	5¾	-	-	6.75
Italy	8⅝	9¼	9¼	8⅞	8¾	-	8.00	9.03
week ago	8⅞	9¼	8⅞	8¾	8¾	-	8.50	8.74
Netherlands	6.11	5.96	5.81	5.55	5.28	-	5.25	-
week ago	6.09	5.96	5.82	5.54	5.30	-	5.25	-
Switzerland	4¾	4⅝	4⅝	4¼	4⅛	6.625	4.25	-
week ago	4¾	4⅝	4½	4⅜	4⅛	6.625	4.25	-
US	3	3⅛	3⅜	3⅜	3⅝	-	3.00	-
week ago	2⅞	3⅛	3⅜	3⅜	3¼	-	3.00	-
Japan	2⅛	2¼	2¼	2¼	2¼	-	1.75	-
week ago	2⅛	2¼	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3¼	3½	3½	3⅝	-	-	-
week ago	-	3¼	3½	3½	3⅝	-	-	-
US Dollar CDs	-	2.98	3.10	3.21	3.50	-	-	-
week ago	-	2.98	3.09	3.21	3.54	-	-	-
SDR Linked Ds	-	4	4	3⅞	3⅞	-	-	-
week ago	-	4⅛	4	4	3⅞	-	-	-

3 Month US Treasury Bill Yield: 3.18 $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	8½ - 8¼	8⅜ - 8⅛	7⅞ - 7⅝	7⅜ - 7¼	6⅞ - 6¾	6½ - 6⅜
Danish Krone	8 - 7	9 - 8¼	8½ - 8	8⅛ - 7⅞	7⅝ - 7¼	7 - 6⅞
D-Mark	6½ - 6⅜	6⅜ - 6¼	6⅜ - 6¼	6¼ - 6⅛	5⅞ - 5¾	5½ - 5⅜
Dutch Guilder	6⅛ - 6	6⅛ - 5⅞	6 - 5⅞	5⅞ - 5¾	5⅝ - 5½	5⅜ - 5¼
French Franc	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅝ - 6½	6¼ - 6⅛	5⅞ - 5¾
Portuguese Esc.	11⅝ - 11⅛	11⅞ - 11⅛	12 - 11⅝	11⅜ - 11⅛	11¼ - 10⅞	10⅝ - 10⅛
Spanish Peseta	9⅞ - 9⅜	9¾ - 9½	9⅝ - 9⅜	9⅜ - 9⅛	9 - 8⅞	8⅝ - 8⅜
Sterling	5⅝ - 5½	5⅞ - 5⅝	5⅞ - 5⅝	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Swiss Franc	4⅝ - 4½	4⅝ - 4½	4⅝ - 4⅜	4½ - 4⅜	4⅜ - 4¼	4 - 3⅞
Can. Dollar	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3¾	4⅛ - 3⅞	4⅜ - 4¼	4⅞ - 4⅝
US Dollar	2⅞ - 2⅝	3⅛ - 3	3½ - 3	3½ - 3⅜	3½ - 3⅜	3¾ - 3⅝
Italian Lira	10 - 8	9¼ - 8⅞	9¼ - 8⅞	9¼ - 8⅞	8⅞ - 8½	8⅞ - 8½
Yen	2½ - 2¼	2½ - 2¼	2⅜ - 2⅛	2⅜ - 2¼	2⅛ - 2⅛	2⅛ - 2
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.57	+0.04	93.59	93.55	1,137	71,175
Mar	94.38	94.38	+0.05	93.40	94.38	711	89,772
Jun	94.95	94.96	+0.05	94.97	94.94	254	47,896
Sep	94.25	95.22	+0.04	95.25	95.19	130	33,117

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.51	96.52	+0.02	96.53	96.51	658	6857
Mar	96.44	96.43	+0.03	96.44	96.43	89	4841
Jun	96.16	96.15	+0.03	96.16	96.16	35	1901
Sep	95.88	95.85	+0.03	95.88	95.88	58	504

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.88	93.90	+0.03	93.90	93.87	12732	183806
Mar	94.60	94.64	+0.06	94.64	94.59	20173	169291
Jun	95.14	95.19	+0.06	95.19	95.13	12215	120976
Sep	95.44	95.48	+0.05	95.49	95.44	4345	[illegible]

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.02	90.94	-0.08	91.08	90.87	6636	35967
Mar	91.68	91.58	-0.10	91.68	91.50	3353	39016
Jun	92.15	92.05	-0.08	92.15	92.00	1251	20877
Sep	[illegible]	92.31	-0.07	92.39	92.30	671	15561

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.67	95.61	-0.05	95.67	95.61	1783	23176
Mar	96.23	96.21	-0.01	96.23	96.18	2866	22858
Jun	96.40	96.44	-	96.44	96.40	475	7522
Sep	96.53	96.58	-	96.56	[illegible]	91	5314

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.40	93.39	+0.02	93.40	93.38	1086	15187
Mar	94.09	94.10	+0.03	94.12	94.08	831	10513
Jun	94.60	94.64	+0.04	94.64	94.59	151	7140
Sep	94.98	94.95	+0.05	94.98	94.85	102	3141

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.52	96.53	+0.02	96.53	96.51	40,205	304,796
Mar	96.41	96.43	+0.03	96.44	96.41	42,915	[illegible]
Jun	96.16	96.16	+0.04	96.18	96.14	51,467	289,668
Sep	95.87	95.87	+0.05	95.89	95.84	34,388	213,650

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.87	96.88	+0.02	96.88	96.86	1,266	10,175
Mar	96.71	96.72	+0.03	96.73	96.71	2,295	22,218
Jun	96.50	96.48	-0.03	96.50	96.47	85	[illegible]
Sep	-	96.20	+0.06	96.20	-	2	45

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9375	0.17	0.90	1.45	0.02	0.01	0.01
9400	0.03	0.66	1.21	0.15	0.02	0.02
9425	0.01	0.45	0.97	0.38	0.04	0.03

Est. vol. total, Calls 8127 Puts 608. Previous day's open int., Calls 249826 Puts 117390

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9550	0.14	0.72	0.95	0.03	0.01	0.01
9575	0.02	0.48	0.71	0.16	0.02	0.02
9600	0.01	0.25	0.49	0.40	0.04	0.05

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2816 Puts 2650

UK INTEREST RATES

LONDON MONEY RATES

Nov 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 3½	5¼ - 4⅞	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Sterling CDs	-	-	5⅜ - 5¼	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛
Treasury Bills	-	-	5⅛ - 5	5 - 4⅞	-	-
Bank Bills	-	-	5⅛ - 5	5⅛ - 5	5⅛ - 5	-
Local authority deps.	5¼ - 4⅞	5¼ - 4⅞	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Discount market deps.	5½ - 3¾	5⅜ - 5¼	-	N/A	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4¼	4	3½	3½

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.9638pc. ECGD fixed rate Stlg. Export Finance. Make up day October 29, 1993. Agreed rate for period Nov 24, 1993 to Dec 25, 1993, Schemes II & III 7.06pc. Reference rate for period Oct 1, 1993 to Oct 29, 1993, Schemes IV & V 5.820pc. Finance House Base Rate 6pc from Nov 1, 1993

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.64	94.62	-	94.64	94.61	8177	103848
Mar	94.85	94.82	-	94.85	94.81	5857	99281
Jun	94.88	94.87	+0.01	94.88	94.84	3787	77061
Sep	94.81	94.80	+0.01	94.81	94.78	1086	38343

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9450	0.14	0.38	0.48	0.02	0.05	0.11
9475	0.04	0.20	0.30	0.17	0.13	0.18
9500	-	0.09	0.16	0.38	0.27	0.29

Est. vol. total, Calls 2595 Puts 1927. Previous day's open int., Calls 193110 Puts 153008

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	●Rea Brothers	5.5
Allied Trust Bank	5.5	Exeter Bank Limited	7	*Roxburghe Bank Ltd	8
AIB Bank	5.5	Financial & Gen Bank	7	*(in administration)	
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Royal Bk of Scotland	5.5
Bank of Baroda	5.5	Girobank	5.5	●Smith & Williamson Secs.	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	6	Standard Chartered	5.5
Bank of Cyprus	6	Habib Bank AG Zurich	5.5	TSB	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	●United Bk of Kuwait	5.5
Bank of India	6	Heritable & Gen Inv Bk	5.5	Unity Trust Bank Plc	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Western Trust	5.5
Barclays Bank	5.5	C. Hoare & Co	5.5	Whiteaway Laidlaw	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5	Wimbledon & Sth West	7
●Brown Shipley	5.5	Julian Hodge Bank	5.5	Yorkshire Bank	5.5
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5	● Members of British Merchant Banking & Securities Houses Association	
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	*Mount Banking	6		
Coutts & Co	5.5	*(in administration)			
Credit Lyonnais	5.5	NatWestminster	5.5		
Cyprus Popular Bank	6				

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fund.	5.31	-	5.41	3-Mth
Deposits Over £1 million	5.41	-	5.52	3-Mth
Deposits Over £2 million	5.51	-	5.62	3-Mth
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.40	-	5.51	3-Mth
Cent. Bd. of Fin. of Church of England‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.50	-	5.61	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ 071-236 1425				
TESSA Deps 071 236 2062				
Call Fund	4.32	3.24	4.37	6-Mth
7-day Fund	4.54	3.41	4.59	6-Mth
Special Fund	4.44	3.33	4.53	1-Mth
Dollar	1.82	1.36	1.83	3-Mth
TESSA Prime	4.52	-	4.60	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	2.00	1.50	2.02	Qtr
£10,000+	3.50	2.63	3.55	Qtr
Aitken Hume Bank plc 30 City Road, London EC1Y 2AY 071-638 6070				
Treasury Account – for professional advisers				
£25,000-£49,999	5.00	3.750	5.12	Mth
£50,000 or more	5.25	3.9375	5.38	Mth
Minibiz Inc Acc – for personal and business clients				
Up to £9,999	3.50	2.625	3.56	Mth
£10,000 - £24,999	4.25	3.1875	4.33	Mth
£25,000 - £49,999	4.75	3.5625	4.85	Mth
£50,000 or more	5.00	3.75	5.12	Mth
Money Market quotations – please telephone				
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 071-626 0879				
FOMMA (£2,001+)	7.07	5.30	7.07	Yearly
TREMMA (£2,001+)	6.17	4.63	6.17	Yearly
TOMMA (£2,001+)	5.96	4.47	5.96	Yearly
OMMA (£2,001+)	5.64	4.23	5.64	Yearly

	Gross	Net	Gross CAR	Int Cr
The Co-operative Bank - Contd.				
Business Deposit – Instant Access				
£250,000+	4.75	3.56	4.81	6-Mth
£50,000-£249,999	3.31	2.48	3.34	6-Mth
£10,000-£49,999	3.00	2.25	3.02	6-Mth
£500-£9,999	2.50	1.88	2.52	6-Mth
30-90 day notice available Tel 061-829 5528				
Coutts & Co 440 Strand, London WC2R 0QS 071-753 1000				
Coutts Composite Account for clients money 15 Lombard Street, London EC3V 9AU 071-623 1818				
Rates negotiable up to...	4.750	-	-	-
Dao Heng Bank (London) PLC Premier Acc 10 Angel Court, London EC2R 7HP 071-606 1616				
£20,000+	5.25	3.94	5.35	Qtr
£10,001-£20,000	4.50	3.38	4.58	Qtr
£2,500-£10,000	4.00	3.05	4.06	Qtr
Savings Account	3.00	2.25	3.03	Qtr
Davenham Tst Plc–Davenham 500 Acc 8 St John St, Manchester M3 4DU 061-832 8484				
£10,000+ 6Mths	7.25	5.4375	-	6-Mth
£10,000+ 1 Year	7.50	5.625	7.6	Yearly
£5,000+ Fixed Rate Bd 2 Yrs	8.00	6.00	7.7	-
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough, Kent TN11 9DZ				
£1-£49,999	4.50	3.375	4.58	Qtr
£50,000-£249,999	5.00	3.75	5.09	Qtr
£250,000-£499,999	5.625	4.219	5.74	Qtr
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd 16-18 Monument St London EC3R 8QQ 071-236 1425				
HICA £10,000+	4.00	3.00	4.06	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG 0422 335333				
Rates for personal customers				
£50,000 and above	6.10	4.58	6.24	Qtr
£25,000 to £49,999	5.75	4.31	5.88	Qtr
£10,000 to £24,999	5.40	4.05	5.51	Qtr
£5,000 to £9,999	4.75	3.56	4.84	Qtr
Rates for non-personal customers				
£50,000 and above	5.60	4.20	5.72	Qtr
£25,000 to £49,999	5.25	3.94	5.35	Qtr
£10,000 to £24,999	5.00	3.75	5.09	Qtr
£5,000 to £9,999	4.50	3.38	4.58	Qtr
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX 0222 220800				
6 Mth Fixed Rate Deposit Acc	6.50	4.88	6.61	-
3 Mth Fixed Rate Deposit Acc	6.50	4.88	6.66	-
1 Mth Fixed Rate Deposit Acc	6.50	4.88	6.70	-
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke 0256 760000				
£50,000+	5.50	4.13	5.61	Qtr
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA 071-588 2323				
Treasury High Interest Cheque Account				
£25,001-£100,000	4.75	3.5625	4.8400	Qtr
£100,001 plus	5.00	3.7500	5.0900	Qtr
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT 071-267 1000				
H.I.C.A. (£2,500+)	4.50	3.375	4.580	Daily

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £137½
Exchequer 10½% Stk 2005 - £0.000001ϕ

Corporation and County Stocks

Birmingham District Council 11½% Red Stk 2012 - £131 (22No93)
Islington Corp 12.85% Red Stk 2007 - £129 (23No93)

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Lloyds Bank PLC 10¼% Subord Bds - £112⅝
London Electricity PLC 8% Bds 2003 (Br £ Var) - £105⅛ (22No93)
MEPC PLC 10¼% Bds 2003(Br£1000&10000) - £112½ (23No93)
Morgan Guaranty Tst Co of New York 12¾% Dep Nts 1994(Br£1000&10000) - £100¼ (24No93)
Municipality Finance Ld 9½% Gtd Nts 1997 (Br £Var) - £108⅞ϕ
National Grid Co PLC 7⅜% Bds 1998 (Br £ Var) - £103⅞ (23No93)

Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £103⅝ (23No93)
Leeds Permanent Building Society 10⅞% Subord Bds 2018 (Br £Var) - £119.95
Leeds Permanent Building Society Collared FltgRteNts 2003(Reg Mult£1000) - £102⅝ (22No93)
Lewis (John) PLC 10⅞% Bds 1998 (Br £10000&100000) - £112⅝ (23No93)
Lewis (John) PLC 10½% Bds 2014 (Br£100000&100000) - £123⅛ (24No93)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 70
Allied-Lyons PLC ADR (1:1) - $8.58
Allied-Lyons PLC 5½% Cum Prf £1 - 60 (24No93)
Allied-Lyons PLC 11¾% Deb Stk 2009 - £136½ (22No93)
Allied-Lyons PLC 5¼% Uns Ln Stk - £60 (24No93)
Allied-Lyons PLC 7½% Uns Ln Stk - £90 (19No93)

Saatchi & Saatchi Co PLC ADR (3:1) - $7.65ϕ
Saatchi & Saatchi Co PLC 6% Cnv Uns Ln Stk 2015 - £85 (24No93)
Sainsbury(J) PLC ADR (1:1) - $5.85 (22No93)
Scantronic Hldgs PLC 7.25p (Net) Cnv Cum Red Prf 20p - 102 (24No93)
Scholes(G.) & Son Ld 6% Cum Red Prf(2000 or after)£1 - 63
Scottish Hydro-Electric PLC Ord 50p - 381 2 2½ 3 3 4 4 5 6 7 ½ 8

Whitbread PLC 7% 3rd Cum Prf Stk £1 - 81
Whitbread PLC 7¾% Red Deb Stk 89/94 - £99¾ (24No93)
Whitbread PLC 7¾% Uns Ln Stk 95/99 - £100
Whitecroft PLC 5.1% Cum Prf £1 - 80½ 2 (24No93)
Widney PLC 5.75% Cnv Cum Red 2nd Prf 2000 £1 - 104 5 (22No93)
Williams Hldgs PLC 10¼% Cum Prf £1 - 140 (23No93)

Investment Trusts

Miscellaneous Warrants

USM Appendix

Rule 535(2)

South Green Hldgs PLC Ord 1p - £0.01
Southern Newspapers PLC Ord £1 - 3.27
Systems Connection PLC Ord 0.01p - 20¼ (19No93)
Tiaghur PLC Ord 5p - £0.185 0.2‡
Tracker Network PLC Ord £1 - £5.7 5.7 5.8 5.9
Wadworth & Co 9¼% Cum Prf £1 - £1.07 1.08 (22No93)
Warburg Asset Management Jersey Mercury Intl Gold & General Fd - $1.41ϕ
Weetabix Ld "A" Non.V Ord 25p - £13.05 13.1 (24No93)
Yates Bros Wine Lodges PLC Ord 25p - £2.1ϕ

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Cape Range Oil A$0.74 (23/11)
Dainippon Screen Y821.77 (24/11)
Far East Hotels & Entertainment FR0.9 (24/11)
Forest Laboratories $31.16
Idaho Power Co. $28.884 (23/11)
Kulim Malaysia 71.0
Kulim Malaysia (Malay Reg.) 70.0 (24/11)
Magus Mining 11.0 (23/11)
National Electronics 4.8
North Flinders Mines 58.3 (23/11)
Oil Search 35.0
Playmates Hldgs. HK$2.92
Regal Hldgs. 13.5 (23/11)
Robinson Co. $83.32 (23/11)
Singapore Land £2.45 (22/11)
Storer Communications $K383.35
Walhalla Mining A$0.131 (19/11)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Further advance as market regains confidence

By Terry Byland, UK Stock Market Editor

Revived confidence that next week's Budget will not deal too harshly with the fragile UK economy brought another day of widespread gains in the London stock market yesterday. Further weakness in oil shares failed to hold London back, although there was heavy trading after the New York's blue chip oil majors opened down.

Equities were again driven ahead by a strong buyer in the futures market, where traders believe that overseas investors have turned more positive ahead of the Budget speech due on Tuesday from Mr Kenneth Clarke, the UK chancellor of the exchequer.

After a slow start, share prices turned sharply upwards and by mid-session the FT-SE Index was more than 30 points ahead at 3,123.4. There was some nervousness ahead of Wall Street's return from the Thanksgiving Day break. London fell back as profits were taken before the equity trading account closed at 4.30 pm, and the final reading on the FT-SE of 3,111.4 showed a net rise on the day cut to 18.3. The FT-SE Mid 250 Index was also firmer, gaining 9.7 to 3,454.9.

There was general satisfaction with comments in parliament by the chancellor which seemed to confirm that Budget tax increases would lean on the consumer rather than on industry. In particular, the *stock market* appeared *less fearful* that tax changes on life assurance companies were planned. These could have hit both at premium income and investment policies at the big life companies.

Account Dealing Dates		
*First Dealings: Nov 15	Nov 29	Dec 13
Option Declarations: Nov 25	Dec 9	Dec 30
Last Dealings: Nov 26	Dec 10	Dec 31
Account Day: Dec 6	Dec 20	Jan 10

*New time dealings may take place from two business days earlier.

The recovery in the stock market over the past two days has left the FT-SE Index 3.4 points up on the week and only 12.3 up over the two week trading account. But on Wednesday, the Footsie closed at 3,067.2 in spite of the half point reduction in base rates on the previous day.

Activity in futures was complemented by a lengthy but fairly modest trading programme in equities. Traders believe that, while UK funds remain cautious, overseas funds are buyers on equities on the grounds that the Bundesbank is likely to cut rates soon, perhaps next Thursday.

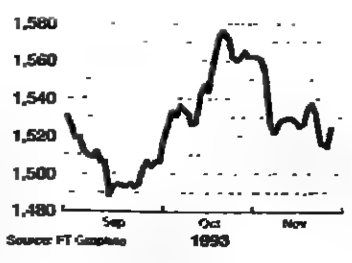
Traders admitted that the close of the two week trading account had caught marketmakers short of stock in the face of the sudden turn in sentiment. But many were surprised by the strength of the market which is now so close to Budget Day. "In the past, trading has always died away as Budget Day drew near," said one. "But this time it is not just a few speculators at work. There is real investment business out there."

Seaq volume remained high, with the day's 697.6m shares traded comparing with 696.3m in the previous session. Retail, or customer business was worth £1.59bn on Thursday, a strong figure for what had been been a session marked by pre-Budget caution and Wall Street's closure.

Although the oil stocks suffered heavy pressure, especially after Exxon opened around 4 per cent off in New York, the rest of the international sectors responded well to a dip of only 6.43 on the Dow Industrial Average in London hours. There were good rises among the interest rate-related issues, including the stores and some banks.

UK strategists suggested that global investors have become more confidene that Wall Street will prove able to shake off the weakness in the US Federal bond market, and respond to the signs of growth in the US economy.

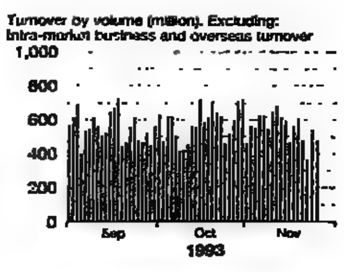
FT-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3454.9	+9.7
FT-SE-A 350	1550.5	+8.1
FT-A All-Share	1533.30	+7.46
FT-A All-Share yield	3.72	(3.76)
FT Ordinary index	2369.3	+14.1
FT-A 500 p/e	19.85	(19.74)
FT-SE 100 Fut Dec	3125.0	+17.0
10 yr Gilt yield	6.70	(6.70)
Yield ratio:	1.93	(1.93

FT-SE 100 Index	
Closing index for	3111.4
Change over week	+3.4
Nov 25	3093.1
Nov 24	3067.2
Nov 23	3069.3
Nov 22	3070.6
High*	3123.4
Low*	3050.6

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	4,400	62½	-½	Londko	1,300	137	+1½
Abbey National†	1,800	406		Lucas	4,300	178	+5
Albert Fisher	1,500	61	+6	MEPC†	2,900	527	+6
Allied-Lyons†	1,900	595	+13	MFI	3,000	136	-1
Anglian Water†	1,700	548	+14	Manweb	[illegible]	650	
Argos	654	336	+6	Marks & Spencer†	4,300	420	+9
Argyll Group†	7,300	263	+4	Midlands Elect.	255	612	+4
Arjo Wiggins†	675	259	+4	Morrison (Wm.)	399	87	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Another largely featureless day in the futures market aped the pattern of the previous session when a large buy order from one UK broker provided the stimulus to carry the market forward for most of yesterday's session, *writes Christopher Price*.

The December FTSE futures contract opened quietly at 3,111, with trading seen in a tight range. However, late morning saw a leading UK investment bank come in with a substantial buy order. This prompted other buyers and produced a squeeze in the December contract. By mid-afternoon trading had slowed and December drifted, slipping to the 3,120-level. A late flurry saw it close at 3,125, some 14 points above the cash market and around 10 over the fair value premium currently standing at approximately 4. Turnover was a respectable 12,000.

In traded options, 37,710 contracts were traded, 14,257 done in the FTSE contract. BT headed the stock option list, with 3,146 traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3111.0	3125.0	+17.0	3142.0	3106.0	19081	53538
Mar	3131.5	3142.5	+16.5	3153.0	3127.0	315	15079
Jun	3141.0	3152.5	+10.5	3141.0	3147.0	2	961

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3112) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Dec	166½	11½	143½	18	108½	26	64½	43	37½	68½	19½	101½	9½	140½	4½	190½
Jan	207½	29	167	36½	129	50½	97½	70	70	92	49½	122	33½	158½	20	199
Feb	224½	38½	188½	50	149	63	118½	82½	89½	104	67	132½	47	165	33½	204
Mar	224½	46½	197½	59	161½	68	131	82½	101	113½	78	140½	60½	171½	42	209
Jun†			227½	82½			162½	118			112½	167½			73½	230½

Calls 4,714 Puts 8,468

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925	2975	3025	3075	3125	3175	3225	3275
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE-A INDICES : LEADERS & LAGGARDS

[illegible]

Oil stocks reel on Opec deal

The oil sector provided three of the market's most heavily traded stocks yesterday as domestic and international institutions acted on Opec's controversial move to maintain the 24.5m barrels a day output level it first agreed last September.

And the overwhelming view of the market, confirming Thursday's knee-jerk reaction, was that Opec had been wrong to hold its production quotas. BP wrested the mantle of the sector's heaviest traded stock from Lasmo, with Shell close behind.

BP shares ran back sharply, closing 9½ off at 332½p, on heavy turnover of 16m shares, as dealers said US holders of the shares had begun to unload significant amounts of stock. Merrill Lynch, regarded as one of the world's biggest and most powerful stockbrokers, was said to have adopted a much more cautious outlook on oils in general and BP in particular. Merrill was said to have cited the Opec meeting and subsequent oil price considerations as the catalyst for a general downgrading of oils.

BP was pinpointed as especially vulnerable to downside pressure in the medium to long-term with the market concerned about the possibility of the Kuwait Investment Office deciding to dump its near-10 per cent stake in the group and, even further out, the chances of the group launching a substantial rights issue.

Shell slipped 6 to 678p after exceptionally high turnover of 9.1m shares. The worst performance in the sector, however, came from Lasmo whose shares slumped 11 to 117p, on 17m traded, as the market continued to fret about the chances of the company cutting the final dividend next March.

A big line of Lasmo stock – 3.6m shares – was sold into the market early in the session amid talk that one broking house had drastically reduced its core asset valuation.

One bull point for the stock, however, was a view that that PDFM (Phillips & Drew's fund management group) had continued to increase its stake in Lasmo; on Thursday PDFM said it had taken its stake to over 11 per cent.

Elsewhere, **Burmah Castrol** fell 5 to 735p after a sizeable agency cross involving a block of 650,000 shares, the same stock that had been offered in the market some weeks ago.

BTR busy

BTR was by far the busiest stock with turnover in the ordinaries reaching more than 41m shares. Most of this – almost 18m traded at 356p for cash – was accounted for by the take up of BTR's enhanced scrip dividend. There was also substantial switching, dealers noted, from the ordinaries to the warrants.

The ordinary shares closed 5½ higher at 347p. The 1993-94 warrants, up 4½ at 65p and the 1998 warrants, which moved up from 38p to 47p, were the pick of the derivatives.

The undoubted star of the sector was again **Royal Bank of Scotland** whose shares continued their move to record levels after the scintillating profits performance from Direct Line, the telephone insurance business, which announced trebled profits of £50.2m last Thursday.

Royal is scheduled to announce its preliminary figures on Thursday with analysts looking for profits in excess of £200m. The dividend total is expected to rise by 8 per cent to 9.5p. At the close Royal shares were a further 9 higher at 384p, after reaching a peak 386p. Turnover was a hefty 6.3m.

Marketmakers were said to have been caught acutely short of stock in the life assurance sector as the market began to take the view that the chancellor may not, as has been widely rumoured for many weeks, interfere with the life and pensions sector in the budget next week. **Legal & General** jumped 13 to 508p, **Lloyds Abbey** 13 to 436p and **Prudential** 14 to 350p.

TSB continued to attract keen interest, slipping back to 207½p at one point, the lowest level since the end of September, before stabilising to close a net 4 off at 209p. Turnover of 4.6m, although by no means outstanding, was slightly above average.

"There was some stock around and the shares dipped below 210p, which has been viewed as a support level. If they close below 210p then the charts point to the shares dropping below 200p," said one specialist. TSB's preliminary figures are expected in January.

A strong drinks sector was the subject of some recovery buying, according to analysts, with a strong sense that the maligned sector was at last beginning to turn. Among those showing good gains, **Scottish and Newcastle** gained 10 to 482p, **Wolverhampton and Dudley** 5 to 488p and **Allied Lyons** 13 to 596p, with a Kleinwort Benson buy note adding impetus to the latter's rise.

There were 40m new **Whitbread** shares issued yesterday, taken up by former investors in the Whitbread Investment Company which was bought out by its parent group in September. And next Thursday, when the tightly-traded B shares cease to exist, a 20m further shares will be issued to existing B shareholders. These new shares are being issued at 482p, against yesterday's closing price for the A's of 533p, a rise on the day of 15. Anslysts do expect some weakness in the shares, but point out that those taking up new shares have already turned down a cash alternative.

A positive agm statement from **Lloyds Chemist** sent the shares forward and also helped **Boots**. Group sales in the 21-week period were up 9 per cent on a year ago. Its shares gained 10 to 310p.

Boots shares climbed 9 to 534p in a strong stores sector which had benefited from a bout of arbitraging against the futures market, according to dealers. Elsewhere, **Great Universal Stores** added 15 to 580p, **Kingfisher** 10 to 567p, **Marks and Spencer** 9 to 420p and **Next** 5 to 188p.

A substantial bear squeeze developed in **Delta**, the heavy electricals/engineering group, whose shares raced up 24 to 504p, in relatively thin turnover of only 406,000 shares.

The performance of the stock was all the more remarkable because one leading UK house was said to have issued a 70-page sell note on the shares. "There are conflicting views on the stock, and the market today was squeezed up," said one dealer." After the market closed Mercury Asset Management said it no longer had a notifiable stake in the group.

The announcement by **Land Securities** that it had secured a lucrative pre-let contract from the Department of Environment launched the shares forward, finishing 11 ahead at 739p.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Banner Homes	114	+	7
Bodycote	255	+	14
Caledonia Invs	605	+	27
Colorgen	32	+	3
Comac	104	+	8
Eidos	193	+	60
Euro Disney	350	+	20
Fife Indmar	66	+	5
Filofax	164	+	8
Forminster	617	+	32
Hornby	186	+	8
Perpetual	780	+	49
Prudential	350	+	14
Falls			
Blagden Inds	128	–	8
Brit Aerospace	402½	–	11½
Burnfield	57	–	25
Capital Inds	114	–	34
Dorling Kindersley	324	–	11
Lasmo	117	–	11
Learmonth Burchett	163	–	60
Rutland Trust	18½	–	5
Stoddard Sekers	39	–	6
VHE	115	–	5

■ NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (63)
BRITISH FUNDS (8) BANKS (1) Ryl. Bk. of Scotland, BREWERS (1) Scottish & Newcastle, BLDG MATLS (8) Blue Circle, Do 7¾pc Pf., Caradon, Do 7¾pc Pf., Epwin, Marley, RMC, Sharpe & Fisher, CHEMS (1) Croda, CONTG & CONSTRCN (1) Banner Homes, ELECTRONICS (4) Acal, Comac, Druck, Vtech, ENG AERO (1) Smiths Inds., ENG GEN (4) Fife Idmar, Hampson, SEP, Sterling Inds., HOTELS & LEIS (1) Rank Organ. 8½pc Pf., INV TRUSTS (11) F & C Emrg. 8½pc Cv. '10, Flmg. Emrg. Mkts., Do Wts., Flmg. Inc. & Cap. Inc., F & C Special Cap., Gartmore Emrg. Pacific, Murray Ind. B, Murray Smlr. Mkts., Do B, Tor Inv., Whitbread Inv., MEDIA (3) Anglia TV, LWT, Metal Bulletin, MTL & MTL FORMING (1) Firth (GM), MISC (1) Hornby, MOTORS (1) [illegible], OIL & GAS (2) [illegible], Calor, OTHER FINCL (1) Caledonia Invs., OTHER INDLS (1) OMI, PACKG, PAPER & PRINTG (4) Arjo Wiggins Appleton, Filofax, NMC 7¾pc Pf., Wood (SW), PROP (4) Land Secs., Lanrvest 11¼pc Db. '12, Trafford Park, Warner Est., STORES (2) GUS, Marks & Spencer, TEXTS (1) Forminster, TRANSPORT (2) British Airways, Do Cap. 9½pc Cv., MINES (1) CRA.

NEW LOWS (18)
BRITISH FUNDS (1) Treas. 14½pc '94, ELECTRICALS (2) Bowles Hunter, Burnfield, ELECTRONICS (1) Vasco, FOOD MANUF (1) Hazlewood, FOOD RETAILING (1) Kwik Save, HEALTH & HSEHOLD (3) Bespak, Hafslund Nycomed A, Do B, INV TRUSTS (3) Dunedin Japan, Do Warrants, HTR Japanese Smlr., MEDIA (2) Bowndell 8½pc Pf., Hodder Headline, OIL & GAS (1) LASMO, PACKG, PAPER & PRINTG (1) Ossory Ests., STORES (3) Brown & Tawse, Burton, Hughes (TJ).

Data based on those Companies quoted on the London Share Service.

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sun Life Trust Mngmt Ltd (1200)H

101, Cannon St, London EC4N 5AD

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE

PDFM Unit Managers Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd.

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

J Rothschild Assurance PLC - Contd.

Scottish Provident Group - Contd.

Royal Heritage Life Assurance Ltd

Scottish Provident Assurance Ltd Funds

(Formerly Prolific Life & Pensions Ltd)

Swiss Life (GB) PLC

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Trust Funds - Contd.

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Commercial Union Luxembourg SA (u)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Nov26 / US$)

EUROPE

AUSTRIA (Nov26 / Sch)

BELGIUM/LUXEMBOURG (Nov26 / Frs.)

DENMARK (Nov26 / Kr)

FINLAND (Nov26 / Mka)

FRANCE (Nov26 / Frs.)

GERMANY (Nov26 / Dm.)

ITALY (Nov26 / Lire)

NETHERLANDS (Nov26 / Fls.)

NORWAY (Nov26 / Kroner)

SPAIN (Nov26 / Pta.)

SWEDEN (Nov26 / Kronor)

SWITZERLAND (Nov26 / Frs.)

CANADA (Nov26 / Can. $)

AFRICA

SOUTH AFRICA (Nov26 / Rand)

PACIFIC

JAPAN (Nov26 / Yen)

AUSTRALIA (Nov26 / Aus$)

HONG KONG (Nov26 / H.K.$)

MALAYSIA (Nov26 / MYR)

SINGAPORE (Nov26 / S$)

INDICES

	Nov 26	Nov 25	Nov 24	1993 High		1993 Low	
Argentina							
General (29/12/77)	(u)	17009.4	17220.5	[illegible]	22/10	[illegible]	8/3
Australia							
All Ordinaries(1/1/80)	2043.1	2042.0	2082.4	2132.40	1/11	[illegible]	13/1
All Mining(1/1/80)	901.8	890.1	879.5	904.90	2/8	[illegible]	13/1
Austria							
Credit Aktien(30/12/84)	403.27	404.78	404.39	[illegible]	2/11	[illegible]	14/1
Traded Index(2/1/91)	1047.18	1054.07	1049.01	[illegible]	2/11	712.00	15/1
Belgium							
BEL20 (1/1/91)	1392.17	[illegible]	1394.09	[illegible]	18/11	[illegible]	4/1
Brazil							
Bovespa (29/12/83)	(u)	27637.0	27013.0	[illegible]	26/8	714.72	4/1
Canada							
Metals Mins(1975)	(u)	3269.69	3274.33	[illegible]	23/11	[illegible]	21/1
Composite (1975)	(u)	4229.20	4223.30	[illegible]	12/11	[illegible]	21/1
Portfolio§§ (4/1/83)	(u)	2019.87	2014.32	[illegible]	11/11	[illegible]	21/1
Chile							
IPGA Gen (31/12/80)	(u)	3372.90	[illegible]	[illegible]	26/11	[illegible]	10/6
Denmark							
Copenhagen SE(3/1/83)	344.83	344.09	348.44	[illegible]	4/11	[illegible]	4/1
Finland							
HEX General(28/12/90)	1524.0	1531.2	1519.7	[illegible]	3/11	[illegible]	22/1
France							
CAC General(31/12/81)	597.01	594.68	[illegible]	[illegible]	26/10	471.24	13/1
CAC 40(31/12/87)	2130.62	2118.40	2070.61	2231.88	22/10	1772.21	29/1
Germany							
FAZ Aktien(31/12/58)	788.25	785.61	783.84	[illegible]	18/11	[illegible]	14/1
Commerzbank(1/12/53)	2253.5	2245.8	2240.0	2300.40	3/11	1694.30	14/1
DAX (30/12/87)	2047.24	2047.71	2029.55	[illegible]	2/11	1516.59	13/1
Greece							
Athens SE(31/12/80)	841.42	851.98	865.71	944.44	13/8	[illegible]	5/1
Hong Kong							
Hang Seng(31/7/64)	9274.42	9396.31	9236.06	[illegible]	15/11	[illegible]	4/1
India							
BSE Sens.(1979)	3233.1	3077.5	3053.3	3233.10	26/11	[illegible]	23/4
Indonesia							
Jakarta Comp.(10/8/82)	522.42	524.20	523.83	[illegible]	22/11	273.31	5/1
Ireland							
ISEQ Overall(4/1/88)	1786.80	1788.30	1779.28	[illegible]	3/11	[illegible]	11/1
Italy							
Banca Comm Ital (1972)	541.52	536.09	528.27	[illegible]	30/8	446.33	5/1
MIB General (4/1/93)	1193.0	1182.0	1161.0	[illegible]	30/8	[illegible]	11/1
Japan							
Nikkei 225 (16/5/49)	16726.37	17222.92	17067.11	21148.11	13/9	[illegible]	25/1
Nikkei 300 (1/10/82)	264.16	273.03	272.33	[illegible]	10/11	264.16	26/11
Topix (4/1/68)	1424.54	1471.85	1466.04	[illegible]	3/9	1250.06	25/1
2nd Section (4/1/68)	1857.40	1905.87	1927.13	[illegible]	7/8	[illegible]	26/1
Malaysia							
KLSE Comp.(4/4/86)	978.34	970.31	970.30	[illegible]	23/11	[illegible]	12/1
Mexico							
IPC (Nov 1978)	(u)	2231.14	2194.07	2231.14	26/11	[illegible]	25/2
Netherlands							
CBS TtlRtnGen(End 83)	406.7	408.4	403.8	410.30	4/11	[illegible]	4/1
CBS All Shr (End 83)	263.6	263.4	261.8	222.80	4/11	[illegible]	13/1
New Zealand							
Cap. 40 (1/7/86)	2069.20	2080.31	2088.45	[illegible]	2/11	1498.37	21/1
Norway							
Oslo SE(Ind)(2/1/83)	984.67	992.78	993.04	[illegible]	18/11	[illegible]	27/1
Philippines							
Manila Comp (2/1/85)	2375.60	[illegible]	2372.40	[illegible]	3/11	[illegible]	4/1
Portugal							
BTA (1977)	2853.4	2863.5	2867.8	[illegible]	9/9	[illegible]	14/1
Singapore							
SES All-S'pore(2/4/75)	546.63	546.97	545.62	[illegible]	1/11	[illegible]	13/1
South Africa							
JSE Gold (28/9/78)	1902.0	1900.0	1868.0	[illegible]	30/7	775.00	5/1
JSE Ind. (28/9/78)	4850.0	4847.0	4851.0	[illegible]	19/11	[illegible]	19/4
South Korea							
KoreaCmpEx(4/1/80)**	816.04	819.42	[illegible]	[illegible]	26/11	[illegible]	6/1
Spain							
Madrid SE (30/12/85)	297.91	[illegible]	294.51	[illegible]	22/10	[illegible]	4/1
Sweden							
AffarsvarldsGen (1/2/37)	1312.6	1314.9	1312.00	1435.18	4/11	[illegible]	26/1
Switzerland							
Swiss Bk Ind (31/12/58)	1192.65	[illegible]	1181.08	1192.65	26/11	[illegible]	11/1
SBC General (1/4/87)	940.80	936.32	931.03	[illegible]	26/11	[illegible]	11/1
Taiwan							
Weighted Pr.(30/6/66)**	4163.99	4198.52	4189.86	[illegible]	7/4	[illegible]	6/1
Thailand							
Bangkok SET (30/4/75)	1309.57	1309.28	1321.87	[illegible]	12/11	[illegible]	1/8
Turkey							
Istanbul Corp.(Jan 1986)	17426.1	17195.1	16721.6	[illegible]	26/11	[illegible]	1/1
WORLD							
MS Capital Int (1/1/70)§	577.4*	582.7	581.7	[illegible]	18/10	[illegible]	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1346.56	1343.08	1329.41	[illegible]	22/10	[illegible]	13/1
Euro Top-100 (26/6/90)	1133.80	1132.86	1117.60	1175.45	22/10	[illegible]	13/1
JCapelDgns (31/12/88)	(u)	305.96	308.05	318.71	12/11	[illegible]	4/1
Barings Emerg.(7/1/92)	143.58	142.11	142.30	144.78	19/11	[illegible]	4/2

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Nov	2136.0	2121.0	-2.00	2138.0	2118.0	392	19,857
Dec	2147.5	2134.5	-2.00	2150.5	2132.0	28	40,740
Jan	2159.0	2145.5	-2.50	2159.0	2142.0	-	418
Mar	2173.0	2167.0	-2.00	2178.0	2160.0	-	14,386

Open interest figures for previous day.

** Sat Nov 20 Taiwan Weighted Price 4247.09; , Korea Comp Ex 846.47; Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 20 Industrials - 264.3, NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ¶ Subject to official recalculation.

US INDICES

Dow Jones	Nov 26	Nov 24	Nov 23	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3683.95	3687.58	3674.17	3710.77 (16/11)	3241.95 (20/1)	3710.77 (16/11/93)	41.22 (2/7/32)
Home Bonds	108.89	108.83	108.81	109.77 (18/10)	103.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1730.89	1711.64	1698.31	1759.88 (16/11)	1493.84 (4/1)	1759.88 (16/11/93)	12.32 (8/7/32)
Utilities	227.89	228.24	228.88	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3703.33 (3709.94) Low 3660.73 (3654.33) (Theoretical)
Day's high 3697.38 (3690.37) Low 3676.56 (3672.21) (Actual)

Standard and Poors	Nov 26	Nov 24	Nov 23	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	463.06	463.38	461.03	468.59 (15/10)	429.05 (8/1)	468.59 (15/10/93)	4.40 (1/6/32)
Industrials¶	536.87	536.87	534.42	540.25 (16/11)	486.48 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	43.27	43.04	43.06	48.40 (28/9)	38.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.01	255.13	254.24	259.48 (15/10)	236.21 (8/1)	259.48 (15/10/93)	4.46 (28/4/42)
Amex Mkt Val	463.47	463.81	461.04	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Comp	754.87	752.18	746.82	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

RATIOS

	Nov 19	Nov 12	Nov 5	Year ago
Dow Jones Ind. Div. Yield	2.71	2.80	2.77	3.19
	Nov 24	Nov 17	Nov 10	Year ago
S & P Ind. Div. yield	2.40	2.38	2.40	2.65
S & P Ind. P/E ratio	27.14	26.88	26.89	27.71

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett.price	Change	High	Low	Est. vol.	Open int.
Dec	463.50	463.15	+0.25	464.40	463.00	29,676	188,049
Mar	465.25	464.30	+0.25	465.50	464.10	914	14,028
Jun	466.60	465.25	+0.25	466.60	465.10	20	2,037
Sep	-	466.55	+0.25	468.10	-	1	439

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	2,410,100	58⅝	+1⅛
Paramount	1,781,000	79⅝	-⅜
IBM	1,211,000	56	+⅝
Texaco	1,055,500	63⅞	-1⅛
Exxon	1,038,900	61⅞	-1⅛
Philip Morris	944,100	39⅞	+⅝
Rallys Sales	934,300	7	-⅜
Tex Util	887,100	44⅛	-⅜
Phillips Pet	875,900	28⅝	-1⅛
Comsat	872,100	85⅝	-4

TRADING ACTIVITY

Volume (million)	Nov 26	Nov 24	Nov 23
New York SE	86.112	228.280	259.237
Amex	7.594	14.357	20.419
NASDAQ	(u)	249.867	279.645
NYSE			
Issues Traded	2,448	2,604	2,677
Rises	1,130	1,222	1,154
Falls	659	774	908
Unchanged	658	608	615
New Highs	35	27	17
New Lows	19	32	76

◆ Correction. * Calculated at 15.00 GMT. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

WORLD STOCK MARKETS

EUROPE

Profits are taken in Commerzbank

Trading was generally muted in reflection of Wall Street's half session, *writes Our Markets Staff.*

FRANKFURT mulled over Thursday's company news, and looked ahead to next week as the market flattened out in advance of monthly settlement day. The DAX index eased 0.47 to 2,047.24, down 1.5 per cent on the week, as turnover fell from DM8.5bn to DM7.8bn.

Dealers took profits after the progress report from Commerzbank, were less decisive over Volkswagen's four-day week, and continued to dislike Metallgesellschaft after results which, said James Capel, showed how desperately the group needs a substantial cut in its cost base.

Commerzbank fell DM3.50 to DM359.50 after Thursday's 52 per cent jump in 10-month profits, while Berliner Bank and Bayernhypo put on DM12 at DM443.50 and DM4.20 at DM468.20 ahead of next week's figures.

VW stumbled over details of the four-day week, and fell DM6 to DM406 after a DM9.50 gain the day before; Metallgesellschaft fell DM6 to DM379 for a loss of DM40 this week.

PARIS was little changed on the day but moderately higher on the week, the CAC-40 index adding 2.22 to 2,120.62, and 1.2 per cent respectively. Turnover was moderate at FFr3.4bn.

Rhône-Poulenc saw a delayed opening and then rose 2 per cent in reaction to news after hours on Thursday that institutional investors would be offered shares at FFr146 each, compared with the public offering at FFr135. However, the shares soon slipped back, closing off FFr3.80 at FFr150.10.

After a volatile week's trading, Euro Disney closed up FFr1.50 at FFr30.90, a week's decline of 16 per cent.

AMSTERDAM was lifted by a strong performance from Nedlloyd, the shipping group, which advanced by Fl 2.80 to Fl 55.40 following better than expected third quarter results.

The CBS Tendency index put on 1.1 to 136.8, marginally firmer on the week.

KLM put on another 90 cents to Fl 39.90, picking up some ground lost after the failure of the Alcazar talks was announced at the start of the week. Royal Dutch lost another Fl 1.90 to Fl 193.70 on the weaker oil price.

MILAN finished firmer on strong demand by domestic institutions, particularly for shares which had fallen earlier in the week. The Comit index rose 5.46 to 541.52, an 0.5 per cent fall over the week, but a strong come back after the cumulative 5.9 per cent fall on Monday and Tuesday.

"The market will be in the hands of the politicians until the end of the year," said Mr Guiseppe Bonini of Intersim in Milan.

Mediobanca returned to favour with a L670 or 5.9 per cent rise to L12,100. Benetton added L720 to L23,010 for a two day advance of 8.8 per cent as the clothing group forecast a 10 per cent rise in 1993 turnover.

Fiat edged L59 ahead to L3,861 as Thursday's rumours subsided.

ZURICH finished firm, with the week's inflation news giving heart to optimists for lower interest rates. The SMI index added 15.1 to 2,741.9 for a 0.3 per cent rise on the week.

Banks were supported by brokers' recommendations, CS Holdings rising SFr85 to SFr3,540. Electrowatt, also finding favour with analysts, added SFr150 to SFr3,590.

MADRID was boosted by another rally in electrical utilities, offsetting weakness in banks as the general index closed 1.13 higher at 297.91, 2.2 per cent lower on the week in turnover of Pta20.65bn.

Endesa was one of the biggest gainers, rising Pta100 to Pta6,480, with Iberdrola up Pta22 at Pta918 and Fenosa by Pta11 to Pta545. Dividends are due to be paid out soon in the sector, and the recent downtrend in interest rates should lift profit margins.

STOCKHOLM saw a SKr13 fall to SKr395 in Atlas Copco as the compressor maker announced nine month figures. The Affärsvärlden index shed 1.4 to 1312.6, 3.5 per cent lower on the week.

OSLO was dragged lower by a sharp fall for Hafslund Nycomed, the pharmaceutical company, and the all share index fell 4.19 to 578.85. Hafslund A shares closed NKr8.5 weaker at NKr111 after the company forecast that 1993 pre-tax profits would only match 1992 results.

BRUSSELS reflected drifted to a lower close, with a 24-hour general strike in protest at government austerity measures, the keeping foreign investors cautious and trading volumes low. The Bel-20 index closing 3.72 lower at 1,392.17, 0.9 per cent down on the week.

ISTANBUL rose to another record high in spite of some moderate profit-taking towards the close. The composite index gained 231.0 to 17,426.1, a week's rise of 5.4 per cent.

FT-SE Actuaries Share Indices

Nov. 26								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1345.20	1345.60	1347.06	1348.23	1348.97	1349.09	1347.53	1348.58
FT-SE Eurotrack 200	1412.20	1412.85	[illegible]	[illegible]	[illegible]	1416.19	1414.96	1412.67
	Nov. 25	Nov. 24	Nov. 23	Nov. 22	Nov. 19			
FT-SE Eurotrack 100	1343.06	1329.41	1325.47	1331.12	1360.53			
FT-SE Eurotrack 200	1410.14	1396.51	1393.67	1396.17	1420.27			

Base value 1000 (26/10/90). High/day: 100 - 1349.48; 200 - 1417.30 Low/day: 100 - 1344.44 200 - 1410.76

Written and edited by William Cochrane, John Pitt and Michael Morgan.

Correction

French equities

In yesterday's feature on the French equity market, a predicted level of 2,500 for the CAC-40 index was attributed to Mr Didier Cherpitel as managing director of Morgan Stanley in Paris. In fact, Mr Cherpitel holds the same position at JP Morgan in Paris.

Canada rides high on economic optimism

Stocks have set new records, writes **Bernard Simon**

A lunch-hour visit to the offices of Green Line Investor Services, Canada's biggest discount brokerage, in one of downtown Toronto's vast underground shopping malls reveals a queue of investors lining up near the entrance for a peek at the share quotation machine. Off to one side, another group waits to open trading accounts and place orders.

Business has never been better for Green Line. It is opening twice as many accounts as at this time last year, and in recent weeks trading volumes have set new records.

Bulls would argue that the explosion of interest among small investors augurs well for equities: money is pouring into the market, especially through mutual funds and new stock issues. Green Line reports that the ratio of buy to sell orders has climbed to 1.3 to 1 this month, from 1.1 to 1 in October.

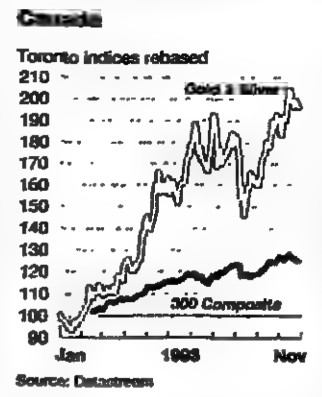
"The best place is still Canadian stocks," says Ms Jill Parrett, executive vice-president at CIBC Investment Management, which runs a stable of mutual funds for Canadian Imperial Bank of Commerce. Ms Parrett forecasts that the TSE-300 composite index, which stood at 4,220.99 by midsession yesterday, could rise to 4,500 by late 1994, producing returns well above those likely on fixed-income securities.

Richardson Greenshields, a Toronto-based securities firm, is even more optimistic, predicting that the index could reach 4,800 next year.

But could the stampede by small investors also be a sign that the smart money is sitting on the sidelines for the time being? Mr Neil Johnson, portfolio strategist at Nesbitt Thomson in Toronto, for instance, expects a significant correction in share prices over the next 6-8 months. Pension and mutual fund managers report that they are having to search much harder for attractive investments. In the absence of bargains, many funds have raised the cash portion of their holdings in recent months.

It took almost six years for the TSE-300 to regain its August 1987 peak of 4,112. But since last summer the market has roared from one record to another. The latest high was 4,303, reached on November 12, representing a 28 per cent climb since the start of 1993.

The case for another surge is based largely on optimism about Canada's economic prospects and commodity prices. The economic growth rate is expected to accelerate to over 3 per cent next year.



While the TSE's advance has so far centred on gold, energy and other export sectors, stronger domestic growth could also propel the shares of consumer-oriented companies.

Third-quarter earnings have buoyed investors' spirits. Banks have reported that their portfolios of non-performing loans are starting to shrink. Bombardier, the Montreal-based transport equipment maker, boosted third-quarter income by almost a third. PWA, the financially-stretched parent of Canadian Airlines International, enjoyed its best operating performance in six years.

Furthermore, low interest rates – the yield on 3-month treasury bills is presently heading down towards 4 per cent – have sparked interest in real estate stocks.

The optimists are also looking to a recovery in 1994 of long depressed commodity markets, such as nickel, zinc, newsprint and pulp, as a combination of production cutbacks and rising demand takes effect. Natural gas producers, which have already benefited from a steep climb in prices over the past 18 months, remain a long-term favourite among fund managers.

But the voices of caution can marshall an equally impressive array of arguments. They point out that the TSE has enjoyed a virtually uninterrupted climb for the past three years. "The Canadian market is giving everyone a bit of vertigo," said one mutual fund manager earlier this month as the TSE-300 broke through another record.

In spite of the pullback in recent weeks, shares of companies included in the TSE-300 are trading at an average p/e of about 25, on higher than projected 1993 earnings, compared to an average p/e ratio of less than 20 for the Dow Jones Industrial Average.

Although the economy is improving, a succession of prominent companies have surprised the market with hefty restructuring charges. They include Royal Bank of Canada (the country's biggest financial institution), Laidlaw (waste management and transport services), Northern Telecom (telecommunications) and Inco (nickel mining).

Most unsettling is the recent tone in the US Treasury bond market: any rise in US interest rates is likely to pull down Canadian bond prices, as well as the TSE.

But even Nesbitt Thomson's Mr Johnson predicts that the setback, if it materialises, will interrupt, rather than abort, the bull market. He says that the combination of a long period of steady economic growth and low inflation, followed by rising commodity prices in 1995, could kindle a new fire under stocks.

The resource-based TSE normally outperforms US stock markets only towards the end of a business upswing, as raw material shortages come to the fore. With this in mind, the investors lining up at the Green Line offices might fare better if they wait a few more months before jumping into the market.

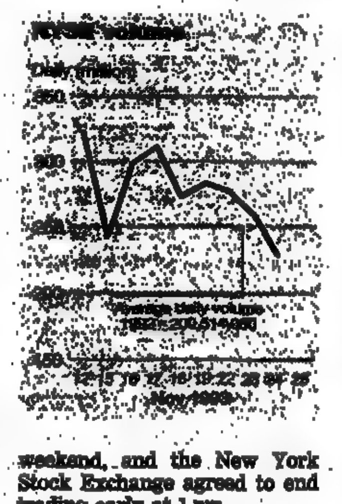
AMERICA

Losses in oils offset bond yields decline

Wall Street

US share prices ended a shortened day little changed from opening values as the positive impact of another decline in bond yields was offset by losses in oil stocks, *writes Patrick Harverson in New York.*

At the 1pm close, the Dow Jones Industrial Average was down 3.08 at 3,684.50. The more broadly based Standard & Poor's 500 was up 0.70 at 463.06, while the Amex composite was 0.05 lower at 463.46, and the Nasdaq composite 1.69 higher at 754.87. Trading volume on the NYSE was 91m shares.



Trading reopened after Thanksgiving in subdued mood. Many participants chose to stay away from the markets and extend the holiday into the weekend, and the New York Stock Exchange agreed to end trading early at 1 pm.

The main feature of the day was falling oil prices.

The declines were sparked by the failure of the Organisation of Petroleum Exporting Countries (Opec) to agree on cutting oil production levels.

Energy market analysts, who had been expecting an agreement on production cuts, were surprised by the development, and oil prices dropped sharply to a new five-year low.

This was positive for bonds, because falling oil prices will help dampen worldwide inflation. Consequently, Treasury prices rallied, with the benchmark 30-year bond rising more than half a point, lowering its yield to 6.26 per cent.

While this was good news for equity investors, who have been unsettled lately by rising bond yields, it caused havoc among oil shares. This, in turn, depressed the Dow, because the average is heavily weighted in oil stocks.

Among the biggest decliners Texaco lost $1⅞ at $63⅝, Exxon fell $1⅛ at $61¾, Mobil dropped $3⅜ at $75, Phillips Petroleum fell $1⅛ to $28¼, British Petroleum lost $2⅞ at $58⅜ and Royal Dutch Petroleum slipped $3⅜ to $100.

What was bad for oil companies, however, was good for airlines, which will enjoy the benefits of lower jet fuel costs. UAL rose $4⅛ to $143⅞, AMR, parent of American Airlines, added $1⅜ at $67⅞, USAir put on $⅛ at $13⅜ and Delta rose $1⅛ to $58⅞.

Optimism about consumer demand during the Christmas shopping season supported retail stocks. JC Penney rose $1⅛ to $53, the Limited firmed $¼ to $23, Sears added $⅜ at $55⅜, and May Department Stores firmed $1⅛ to $44.

Philip Morris, up $⅜ at $56⅞, continued to benefit from its recently announced plan to cut corporate costs by closing plants and laying off thousands of workers. AT&T, whose NCR subsidiary also announced a cost-cutting programme this week, rose $⅜ to $55⅞.

SOUTH AFRICA

Industrial shares supported the market in late trading, with the index closing 13 higher at 4,860. The gold index slipped 2 to 1,891 while the overall rose 11 to 4,204.

De Beers recovered R1.25 to R84.75 while Kloof shed gains to end unchanged at R43.

South African Breweries reacted bullishly to a presentation to investment analysts on Thursday, the shares rising R1.75 or 2.5 per cent to R71.25.

ASIA PACIFIC

Nikkei falls 2.9% on worries over banks

Tokyo

Following Thursday's interim results from leading commercial banks, renewed fears over the health of Japan's banking sector discouraged investors and share prices plunged on index-linked arbitrage selling and margin unwinding, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 496.55, or 2.9 per cent to 16,726.37, 6.8 per cent down on the week and below the psychological support level of 17,000 for the first time since March 5. The Topix index of all first section stocks plunged 47.31, or 3.2 per cent, to 1,424.54.

The Nikkei tried to recover initially, rising to a day's high of 17,351.74; although it then lost ground on arbitrage selling it managed to close the morning session above the 17,000 level, thanks to buying by investment trust funds. However, the arbitrage selling then took over and the index fell to a low of 16,675.77 just before the close.

Volume totaled 340m shares against 314m. Losers led gainers by 982 to 103 with 88 unchanged. In London, the ISE/Nikkei 50 index fell 2.57 to 1,149.80.

Traders said that hedge funds their took cue from poor earnings, and a rise in non-performing loans at the country's leading commercial banks. Combined pre-tax profits of 11 leading commercial banks showed a fall of 22.2 per cent during the first half to September, while non-performing loans increased by 9.6 per cent.

Bank stocks led the fall, the Nikkei banking index plunging by 5.4 per cent. Industrial Bank of Japan lost Y180 to Y2,990 and Bank of Tokyo fell Y130 to Y1,530.

East Japan Railway declined Y15,000 to Y421,000 and Nippon Telegraph and Telephone losing Y38,000 to Y685,000, closing below Y700,000 for the first time since March 4.

In Osaka, the OSE average fell 554.58 to 18,676.38 in volume of 20.2m shares.

Roundup

A divergent pattern of trading continued in the region.

BOMBAY surged 5.2 per cent to a 14 month high, fuelled by heavy buying by foreign funds in a market where domestic investors were reluctant to sell on the view that prices are likely to continue rising until announcement of the national budget in the last week of February.

The BSE index rose 155.62 to 3,233.14, for an 8.8 per cent rise on the week.

SINGAPORE reported renewed buying by domestic institutions as the Straits Times Industrial index rose 16.81 to 2,107.98, 0.7 per cent higher on the week.

China news lifted Sembawang Ship by 60 cents to S$14.00 on electricity and engineering contracts and Wing Tai by 16 cents to S$3.90 on its Chinese expansion plan.

SEOUL was sharply lower in a day of reduced trading volume in spite of a late institutional buying flurry of banking shares. The composite index shed 9.38 to 810.04, 3.6 per cent lower on the week.

Brokers forecast a dip in the index to the 780 level as institutional investors sell stock following government encouragement to liquidate holdings to cool the overheated market.

MANILA rebounded after a three-day slide, the composite index ending 24.98 higher at 2,375.59, down 0.7 per cent on the week.

TAIWAN was cautious ahead of Saturday's local government elections, and late selling took the weighted index down by 34.53 to 4,163.99, 1.5 per cent lower on the week in turnover of T$22.6 bn.

Brokers agreed that the Finance Ministry's announcement on Thursday that it would ease curbs on foreign investment in the market was bullish, but investors were unwilling to back their judgement on the day.

HONG KONG closed down a shade on the day, and fractionally higher on the week with the Hang Seng index at 9,274.42, down 11.89.

KUALA LUMPUR edged higher on selective demand for speculative and low priced stocks and the composite index added 6.03 to 976.34, for a 0.8 per cent fall on the week.

AUSTRALIA balanced investment buying after a strong overnight close in London with pessimistic futures trading and the All Ordinaries index finished 1.1 better at 2,043.1, but 1.9 per cent down on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY NOVEMBER 25 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY NOVEMBER 24 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	154.13	+0.7	153.52	105.51	[illegible]	153.93	[illegible]	3.34	153.06	152.51	104.64	135.48	[illegible]	162.83	117.39	116.22
Austria (17)	171.09	+0.2	170.41	117.13	151.97	151.66	+0.5	1.05	170.76	170.14	116.74	151.15	150.93	184.47	131.16	136.60
Belgium (42)	154.07	+0.8	153.46	105.47	136.85	137.17	+0.9	4.19	152.90	152.35	[illegible]	135.34	[illegible]	156.76	131.19	135.33
Canada (107)	133.05	+0.1	132.52	91.08	118.17	127.99	+0.1	2.51	132.85	[illegible]	90.82	117.58	127.90	135.54	111.41	113.02
Denmark (32)	230.27	−1.6	229.36	157.64	204.54	212.11	−1.3	1.07	234.00	233.15	159.97	207.12	214.98	241.06	185.11	187.21
Finland (23)	119.71	+0.1	119.24	81.96	106.34	146.26	+0.3	0.71	[illegible]	118.19	[illegible]	105.89	145.75	[illegible]	65.50	71.50
France (98)	[illegible]	+1.7	162.49	[illegible]	144.90	151.43	[illegible]	3.07	160.41	159.82	109.65	141.97	148.45	173.05	142.72	142.41
Germany (60)	130.41	+0.4	129.89	89.29	115.83	115.83	+0.7	[illegible]	129.94	129.47	88.85	115.01	115.01	136.13	101.59	104.25
Hong Kong (55)	379.04	+0.6	377.53	259.48	336.69	375.97	+0.6	2.90	376.76	375.39	257.56	333.49	373.66	394.34	218.92	240.55
Ireland (14)	[illegible]	+0.5	172.72	118.71	[illegible]	173.17	+0.8	3.27	172.54	171.91	117.95	152.72	171.87	177.89	129.28	134.54
Italy (70)	60.46	+1.2	60.22	[illegible]	53.70	76.30	+1.7	2.19	59.72	59.50	40.82	52.86	75.02	78.93	53.78	56.75
Japan (469)	[illegible]	+0.3	136.83	94.05	[illegible]	94.05	+0.4	0.67	136.96	136.46	93.64	121.26	93.64	165.91	100.75	105.29
Malaysia (69)	471.23	+0.3	469.36	322.58	418.55	[illegible]	+0.3	1.50	469.79	468.08	321.15	415.81	461.56	487.72	251.66	275.02
Mexico (18)	2008.35	+0.0	2000.37	1374.89	1783.91	6619.12	+0.1	0.72	2008.73	2001.42	1373.23	1777.98	6611.63	2030.36	1410.30	1589.47
Netherland (26)	188.97	+0.3	188.22	129.36	167.86	[illegible]	+0.7	3.20	188.36	187.67	128.77	166.72	164.20	197.07	150.39	160.04
New Zealand (13)	63.09	+0.2	62.84	[illegible]	56.04	61.04	+0.2	3.86	62.95	62.72	43.04	55.72	60.92	66.38	40.56	42.33
Norway (23)	170.72	−1.0	170.04	116.87	[illegible]	171.93	−0.7	1.48	172.38	171.75	117.85	152.58	173.08	165.10	137.71	138.80
Singapore (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.40	[illegible]	308.35	211.57	273.92	227.68	332.55	207.04	198.38
South Africa (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (42)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (48)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (218)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (518)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (751)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (114)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (714)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1465)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (625)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (533)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (245)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1651)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1951)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2109)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1700)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2169)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	51	6	21	162	137	91
Other Fixed Interest	3	1	11	14	6	[illegible]
Commercial, Industrial	301	241	686	1,149	1,583	4,070
Financial	46	44	78	158	278	403
Property	17	14	103	81	98	404
Investment Trusts	98	87	344	436	557	1,655
Oil & Gas	6	29	43	66	180	201
Mines	28	35	77	136	210	352
Others	27	15	113	154	212	351
Totals	579	472	1,676	2,356	3,221	7,979

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§140	F.P.	48.9	165	140	Abacus	162		NR3.5	2.0	2.7	22.0
–	F.P.	45.2	94	88	Abtrust Emrg Econ	90½		–	–	–	–
–	F.P.	4.8	52	46	Do Warrants	48		–	–	–	–
100	F.P.	29.4	102	98	Abtrust Lloyds	98		–	–	–	–
–	F.P.	2.4	40	39	Do Warrants	40		–	–	–	–
170	F.P.	204.9	190	178	Allders	190		WN8.1	2.2	4.0	14.2
100	F.P.	20.7	94	91	Angerstein	92		–	–	–	–
–	F.P.	1.5	36	[illegible]	Do Warrants	33		–	–	–	–
230	F.P.	[illegible]	243	230	Azlan	243	+3	L3.0	2.8	1.5	[illegible]
–	F.P.	[illegible]	47	33	BTR Warrants 1998	47		–	–	–	–
115	F.P.	99.3	121	114	Badgerline	115		R4.1	2.1	4.5	13.6
130	F.P.	45.0	146	138	Biotrace Intl.	146	+1	–	–	–	–
100	F.P.	107.8	102	96	CLM Insce	[illegible]	+2	–	–	–	–
200	F.P.	[illegible]	205	191	Canadian Pizza	[illegible]	−2	[illegible]	[illegible]	3.8	14.4
110	F.P.	25.1	110	98	Charles Sidney	106	+3	LN3.5	2.2	4.1	[illegible]
100	F.P.	13.9	114	102	Cleveland Tst	111		uN5.28	0.8	5.9	21.7
–	F.P.	5.5	20	10	Coal Invs	17		–	–	–	–
–	F.P.	[illegible]	142	133	Crest Packaging	[illegible]		W3.65	2.1	[illegible]	17.1
260	F.P.	283.6	273	268	DFS Furniture	272	+1	L6.4	2.1	2.9	20.8
[illegible]	F.P.	50.5	102	96	Dellan Lloyds Tst	96		–	–	–	–
†	F.P.	4.6	1¼	1¼	‡Emerald Energy	1¼		–	–	–	–
160	F.P.	61.3	183	175	Fenchurch	175		W7.2	1.5	5.1	15.6
–	F.P.	30.8	132	101½	Finsbury Under'wrt	103		–	–	–	–
–	F.P.	11.2	66	51	F & C Em Mts Wts	56		–	–	–	–
168	F.P.	360.7	174	166	Gartmore	174	+2	W4.0	2.0	2.9	21.6
–	F.P.	[illegible]	11	9	Greyfriars Wrnts.	[illegible]		–	–	–	–
100	F.P.	63.9	102	96	HCG Lloyds Tst	96		–	–	–	–
100	F.P.	30.9	111	101	Hecox Select Ins	[illegible]	+1	–	–	–	–
250	F.P.	59.5	261	246	Hozelock	[illegible]		W6.0	2.2	[illegible]	17.8
235	F.P.	[illegible]	284	255	Independent Insce	281	−3	u8.25	1.2	3.7	[illegible]
135	F.P.	29.3	[illegible]	123	Lilliput	126	+1	R4.35	2.1	4.3	13.5
190	F.P.	51.0	208	191	Litho Sppls.	193		R6.5	2.0	4.2	14.9
100	F.P.	280.0	102	99	London Insc Mkt	100	+1	–	–	–	–
100	F.P.	41.3	102	94½	Masthead Insce.	96		–	–	–	–
100	F.P.	56.1	97	92	New London Cap	93½		–	–	–	–
230	F.P.	[illegible]	253	233	Roxboro	234		NR1.9	6.7	1.0	[illegible]
150	F.P.	77.6	165	159	Ruberoid	161	−2	R5.4	1.9	4.2	[illegible]
135	F.P.	25.3	141	141	Smaller Co's Tst C	141		–	–	–	–
100	F.P.	46.5	98	92	Syndicate Cap.	97	+4	–	–	–	–
–	F.P.	1.6	32	23	Do Warrants	31	+1	–	–	–	–
100	F.P.	61.2	102	102	Throg Prfd Inc	102		–	–	–	–
§190	F.P.	27.9	[illegible]	183	Towry Law	183		LN4.6	2.2	3.1	[illegible]
–	F.P.	[illegible]	111	102	Ugland Intl	102		–	–	–	–
100	F.P.	46.5	96	93	Wigmore Prop.	93		–	–	–	–
–	F.P.	3.2	32	28	Do Warrants	32	+1	–	–	–	–

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993 High	Low	Stock	Closing price p	+or-
100	Nil	4/1	5pm	3pm	Raglan	3pm	
44	Nil	6/1	21½pm	9pm	‡Rhino	9pm	−2
85	Nil	12/1	6pm	¼pm	Scottish Metrip.	5pm	
485	Nil	24/11	86pm	58pm	[illegible]	64pm	
–	Nil	6/12	11pm	1¾pm	Ugland Intl	3pm	
152	Nil	14/1	23pm	11pm	Wyevale Garden	11pm	−1

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Yr ago	*High	*Low
Ordinary share	2369.3	[illegible]	2329.9	2328.0	2328.2	2077.4	2414.2	2124.7
Ord. div. yield	3.93	[illegible]	4.01	4.01	4.00	4.47	[illegible]	3.82
Earn. yld. % full	4.52	[illegible]	4.62	[illegible]	4.67	6.12	6.38	4.47
P/E ratio net	27.75	27.54	27.20	27.20	26.78	20.90	28.30	[illegible]
P/E ratio nil	[illegible]	25.54	25.22	25.22	24.84	19.23	26.14	18.14
Gold Mines	235.0	235.6	236.5	242.9	247.8	68.6	249.6	60.0

*For 1993. Ordinary share index since compilation: high 2414.2 31/8/93, low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2359.9	2364.9	2357.1	2361.3	2368.7	2370.1	2377.9	2369.9	2369.1	2359.9	2379.1

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Yr ago
SEAQ bargains	34,313	27,642	25,045	27,509	27,069	34,656
Equity turnover (£m)†	-	[illegible]	1360.0	1581.9	925.2	1197.7
Equity bargains†	-	32,731	29,993	[illegible]	29,390	38,322
Shares traded (ml)†	-	623.0	496.9	553.3	383.7	562.0

† Excluding intra-market business and overseas turnover

TRADITIONAL OPTIONS

First Dealings Nov. 22 Last Declarations Feb. 24
Last Dealings Dec. 3 For settlement [illegible]

Calls: [illegible]

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Ptg		271	—	284	136	—	303.8	10.8
Warrants		736	—	789	225	—	—	—
Scot East		88	+1	83	63½	2.4	91.8	12.8
Scottish Inv		222	+1½	231	183	2.8	257.1	14.1
Warrants		70½	+1	80	38	—	—	—
Scot Mortgage		229	—	236½	178	2.3	249.2	11.7
Scot National Inc		98½xd	—	105	83	10.3	—	—
Cap		33	—	38	18	—	106.3	69.0
Stepped Pf		167¾	—	158½	150¾	4.8	—	—
Zero Div Pf		229½	—	231½	207	—	—	—
Warrants		4½	—	5	2½	—	—	—
Scot Value		100	—	101	71	2.3	100.9	0.9
Sec Alliance		1575	+1	1648	1390	2.1	1744.6	9.7
Second Consld		166	-1	188	88	—	189.6	12.5
Second HSSC		105½	—	108	101	—	—	—
Second Market		405	—	407	255	0.5	432.3	6.3
Sec Tst Scot		90½	—	93½	74½	4.5	91.8	1.3
Select Assets		157	—	163	109½	1.9	195.0	19.5
Eq Ind Sert		151	—	153	128	3.5	—	—
Eq Ind Serll		151	—	150	122	2.5	—	—
SHIRESCOT		140xd	—	145	104	4.7	137.5	-1.8
Shires		294	+3	298	231	7.2	281.1	-4.4
Siam Select		200	—	207	87	0.6	249.8	20.1
Smaller Cos		133	—	135	78	2.6	128.2	-3.8
Warrants		58	—	58	14	—	—	—
Sphere Inc		34	—	38	14	11.4	46.8	28.5
Zero Div Pf		82¼	-½	83	80¼	—	—	—
Units		905	—	925	795	—	—	—
Stock		125	—	130	38	—	—	—
TR City of Lon		151	—	154	128	1.4	101.0	-28.8
TR Euro Growth		129	+1	132	78	4.0	145.2	-4.0
Ptg Sub		78	—	78	27	1.6	131.6	2.3
TR Far East Inc		166xd	+2	169	112	2.2	—	—
Warrants		68½	+½	68	22	3.8	170.2	2.6
TR High Inc		135	—	138	102	—	—	—
Sub		41	—	49	25	5.8	128.5	-4.7
TR Pacific		184	+2	184	110	4.7	—	—
[illegible]								

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
[illegible]							
Europa Mints		34	—	42	15	18.4	—
Glencar Expl		11	—	12	6	2.03	—
Greenwich Res		16¼	—	22¼	5	12.8	—
Hemlo Gold C$		23⅞	—	23¼	23½	683.3	1.5
Ivernia West		30	—	37	31	18.8	—
Kells Mining		14	—	14	6	0.34	—
Kenmare		8½	—	13½	6	9.81	—
Medinga Res		6	+½	28½	7	0.88	—
Minorco Res		104	—	104	28	20.7	—
Spc Ln Notes		99	—	99	25	17.8	—
Oryx Gold		45	—	78½	27	—	—
Ovoca Res		10	—	10	3½	0.70	—
RTZ		709	+7	746	607	7,543	4.9

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ✦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. r Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. [illegible]

v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94.

N Figures based on IIMR 'Headline Earnings'. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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FINANCIAL TIMES
Weekend November 27/November 28 1993

Inland Revenue seeks repayment of up to £238m in tax liability

NUK faces winding up order

By Kevin Done,
Motor Industry Correspondent

The Inland Revenue has applied for a winding up order against Nissan UK, the former importer and distributor of Nissan cars which was at the centre of Britain's biggest tax fraud.

The Revenue is seeking repayment of up to £238m from NUK, controlled by Mr Octav Botnar, which it claims is the company's tax liability for a period of 17 years in which NUK's profits were understated.

Earlier this year two former NUK directors were jailed for their part in the tax fraud.

The High Court has appointed Mr Colin Bird and Mr Dipanka Ghosh of accountants Price Waterhouse as provisional liquidators of NUK. The appointment is only temporary, however, and the Revenue will seek on Monday in the High Court to have the arrangement extended.

NUK is expected to challenge the appointment of the liquidators and the winding up petition. It has also appealed against the assessment of its tax liabilities and maintains there are no valid grounds for the tax claim.

The company, which was deprived of the lucrative Nissan franchise by Nissan Motor, the Japanese carmaker, at the end of 1991, reported net assets of £96.6m at the end of July 1992 in its last set of audited accounts.

Under the terms of their appointment, the provisional liquidators hold a neutral position with the task of locating and safeguarding the assets of NUK for the benefit of all its creditors.

NUK is a subsidiary of Nissan UK Holdings, which in turn is ultimately owned by European Motor Vehicles Corporation. EMV is registered in Panama and was established as a trust by Mr Botnar.

Following the loss of the Nissan franchise, NUK said that it would "continue as a property investment company". Its sister company Automotive and Financial Group (AFG), which is owned through a trust in the Bahamas also established by Mr Botnar, is still one of the biggest multi-franchise UK motor retailer groups.

Earlier this year Mr Michael Hunt, managing director of NUK, was jailed for eight years for his part in the NUK tax fraud. He is currently appealing against his conviction and sentence.

He was convicted for conspiring to defraud the Revenue of £55m in corporation tax by helping artificially to inflate freight charges for Nissan cars imported to the UK from Japan. When interest is added, the total loss to the public purse from the fraud was estimated to be more than £87m.

His co-defendant, Mr Frank Shannon, a former finance director with the company, was sentenced to three years after admitting, before the trial, to one offence of cheating the Revenue.

During the two-month trial the prosecution said the fraud was by far the largest ever perpetrated on the Revenue. The "prime mover" behind the fraud, it alleged, was Mr Botnar.

Mr Botnar has remained in Switzerland beyond the reach of UK justice since a warrant was issued for his arrest in early 1992.

Banking fears hit Japanese stocks

By Emiko Terazono and
Robert Thomson in Tokyo

Hosokawa still voters' favourite .... Page 3
Japan's trust banks slide average 44% ....Page 11
World stocks...............Page 21

Japanese stock prices dived 2.9 per cent yesterday, as fears gathered about the health of the banking system and the onset of an economic recovery, which is fading into the distance.

The Nikkei average fell below 17,000 to 16,726.37, ending the week down 6.8 per cent and reflecting renewed concern about the country's banks after they disclosed sharply lower profits and higher non-performing loans.

Tokyo's index of banking stocks slipped 5.4 per cent yesterday, as attention was drawn to the banks' attempts to cope with the consequences of their reckless lending during the late 1980s and, now, with the effects of a deepening recession.

Investors in Tokyo recall that weakness in bank prices last year heralded the market's fall to a six-year low of 14,309.41.

Stock price falls are particularly damaging in Japan, where many companies, financial and non-financial, rely on a large pile of unrealised equity gains as a buffer against hard times.

Aware of that danger, the country's leading brokers this week called on the Japan Renewal party, which dictates economic policy within the seven-party coalition government. The brokers want the government to stimulate the economy to prevent an asset price fall that could send the economy into a downward spiral.

"Something has to be done about the banks' problems," said Mr Yutaka Nakai, a general manager at Daiwa Securities. Ministry of Finance officials have insisted that public funds will not be used to help the banks. They hope an easing of tax regulations will encourage write-offs.

Another reason for the stock price fall is technical. The newly introduced Nikkei 300 index, likely to replace the Nikkei 225 as the market's benchmark next year, is heavily weighted with banking stocks. Traders who recently accumulated Nikkei 300 stocks were surprised by the banks' poor earnings and sold their stakes.

Corporate capital spending figures announced yesterday reflected deteriorating confidence in the economy. Large companies were expected to cut capital spending by 3.5 per cent this year, according to a survey by Japan's Ministry of International Trade and Industry.

Consumer spending is also falling. Large retailers reported that sales slipped 3.6 per cent in October, against a year earlier, the 17th consecutive month of decline.

Reynolds wants summit plan for an end to Ulster violence

By Philip Stephens,
Political Editor

Mr Albert Reynolds, the Irish prime minister, yesterday set the creation of a joint UK-Irish framework for a permanent end to violence in Northern Ireland as the priority of his forthcoming summit with Mr John Major.

His emphasis on securing an end to terrorism came as Mr James Molyneaux, the Ulster Unionist party leader, said it was possible that there could be "significant developments over the weekend with regard to the terrorist situation". He offered little explanation but told his party executive in Belfast that more detailed information would be available early next week.

Meanwhile, as Mr Reynolds stepped up his campaign to reassure unionists in the province of their veto over constitutional change, the UK government continued to hesitate over the timing of the summit.

Irish officials appeared confident that it would go ahead on Friday. But Downing Street, apparently anxious to retain the option of a delay, refused to confirm the timing. There were also signs of important differences in the approach of the two governments to the summit.

Mr Reynolds, who sent draft proposals to Mr Major on a possible framework for peace, wants the summit to concentrate on providing the background against which the IRA might declare an end to violence.

That would involve a post-summit statement by the two leaders combining pledges to unionists on the constitutional integrity of the province with recognition of the legitimacy of the nationalist aspirations of the Catholic minority.

It would also imply a further offer to Sinn Féin, the IRA's political wing, of an eventual place at the negotiating table in return for an end to violence.

But Mr Reynolds' focus on the short-term possibilities for a halt to the IRA's military campaign conflict with the much greater emphasis being placed by Mr Major on the need for a comprehensive political settlement.

The UK prime minister has indicated that he is taking seriously the possibility that Mr Gerry Adams, the Sinn Féin leader, might be serious about ending the violence. However, amid alarm among moderate unionists about the direction of negotiations with Dublin, Mr Major wants the summit to provide the springboard for all-party talks on a political settlement.

Mr Reynolds believes that should take second place to the peace process, although both leaders will continue to insist publicly that the two processes are complementary. In an article in the Belfast Telegraph and an interview on BBC Radio Ulster, Mr Reynolds rejected unionist claims that his government was acting as a conduit for the IRA.

Peace deadline, Page 7

Ministers' Budget boost

Continued from Page 1

tive MPs that Mr Clarke's main aim will be to stimulate industry and speed up the fall in unemployment.

It was led by Sir Norman Fowler, the party chairman, backed by several senior ministers, including Mrs Virginia Bottomley, health secretary, and Mr Peter Brooke, heritage secretary.

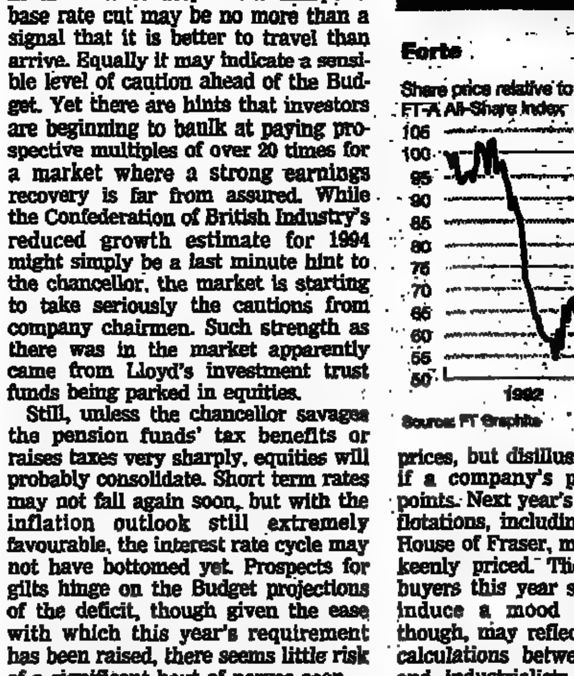
Sir Norman told Conservatives in Worcester that economic recovery was "well under way". He said the government would ensure it was "sustained and sustainable", and that it was not undermined by new costs on business or a spiralling budget deficit.

Mr Michael Howard, home secretary, told Conservatives in Dymchurch: "Britain is bouncing back, leading Europe out of recession, so the budget will be building on fundamental economic strength."

Mr David Hunt, employment secretary, told Eddisbury Tories: "The sure way to jeopardise our recovery is to impose new regulatory burdens on business."

THE LEX COLUMN

Budget rates



This week's almost imperceptible rise in the market despite the half-point base rate cut may be no more than a signal that it is better to travel than arrive. Equally it may indicate a sensible level of caution ahead of the Budget. Yet there are hints that investors are beginning to baulk at paying prospective multiples of over 20 times for a market where a strong earnings recovery is far from assured. While the Confederation of British Industry's reduced growth estimate for 1994 might simply be a last minute hint to the chancellor, the market is starting to take seriously the cautions from company chairmen. Such strength as there was in the market apparently came from Lloyd's investment trust funds being parked in equities.

Still, unless the chancellor savages the pension funds' tax benefits or raises taxes very sharply, equities will probably consolidate. Short term rates may not fall again soon, but with the inflation outlook still extremely favourable, the interest rate cycle may not have bottomed yet. Prospects for gilts hinge on the Budget projections of the deficit, though given the ease with which this year's requirement has been raised, there seems little risk of a significant bout of nerves soon.

International factors will probably be the decisive influence. On the one hand, economic news from continental Europe continues to be poor; on the other, stronger growth in the US raises the prospect of steadily climbing bond yields and the possibility of a tightening by the Federal Reserve. If that process starts in earnest UK equities will need that earnings recovery to maintain their poise.

New issues

The £3bn of new issues which the equity market has swallowed this year is causing some tummy rumbles. With institutional investors grumbling about poor quality issues and the ambitious prices, sponsors would be wise to defer remaining flotations until next year. The looming Budget and recent wobbles in the equity market have proved unsettling, while the glutted market has produced some disappointing take-ups. The collapse of Swithland Group soon after its attempted float marks the mood of the times.

Another deterrent to investors has been the poor stagging opportunities on new issues. The book-building techniques used for bigger flotations have enabled vendors to achieve high prices, but disillusion quickly spreads if a company's performance disappoints. Next year's crop of possible big flotations, including William Hill and House of Fraser, may have to be more keenly priced. The absence of trade buyers this year should perhaps also induce a mood of caution. That, though, may reflect the different risk calculations between fund managers and industrialists. Money managers, who view the world in terms of relative performance, can afford to chance their arm provided their peers all bet the same. Industrial managers are driven by absolute standards and must be sure of better odds. Just one mistake will cost them dear.

That said, if the present cycle follows previous patterns – and recent US experience – the wave of flotations may well be followed by a rise in corporate mergers and acquisitions. Indeed, for those brave enough to dare, it might be the perfect time for leveraged buy-outs. With borrowing costs at their lowest for a generation and the economy swinging upwards, there could be high rewards for those with enough gall to persuade the banks to lend them money.

Forte

These are busy times for Forte. While it tries to cement its deal with Ciga in Italy, wrangling over the chairmanship of the Savoy continues. Although it has just sold its stake in Kentucky Fried Chicken, a buyer is still being sought for the Harvester restaurant chain and its airport catering business is being prepared for flotation. For the longer term, the Ciga deal probably matters most, so it is disconcerting for Forte to see rivals such as Marriott also showing interest in this luxury hotel chain. By acquiring the Ciga brand, which is a strategic fit with its own luxury hotels, Forte would be making a leap forward in the top end of the market.

Indeed, it would arguably be in the position to walk away from the Savoy, which remains as elusive a prey as ever. There is no sign of a negotiated agreement and the rolling 12-month notice which Forte must give of intention to bid is not much use when any such announcement would drive the Savoy share price higher. With Ciga in its portfolio, Forte might persuade the Savoy to negotiate. Otherwise it is hard to see how the process can be moved on. Forte remains unwilling to break its agreement not to buy more Savoy shares in the market, which would be expensive anyway at levels around £8. Faced with such prolonged uncertainty it might even decide it was not worth hanging on.

As for the disposals, each one makes the risk of a rights issue more remote. Kentucky Fried Chicken is more sensitive to the cycle than Gardner Merchant and the airport catering business, but the disposals do lessen Forte's ability to offset the UK hotel cycle. The effect would be lessened by a greater presence in the the European luxury hotel market – which is where the Ciga deal comes in again.

Japan

Underlying the 17 per cent fall in the Nikkei over the past month is the fear that economic recovery might be receding to the end of next year and beyond. There is no consensus on when the upturn might happen or on how strong it will be – just a deepening general depression about the continuing stream of poor economic and corporate results, including those in the past few days from the banks.

Two things are necessary to revive the market. One is a large economic stimulus from the government, with cuts in both corporate and income taxes. The other is evidence that Japanese industry is prepared to cut costs far more than up till now. Otherwise it will be hard pushed to improve earnings when the outlook for sales is so poor. Both developments are politically difficult, but if they do not come about, the index could easily drift down below 16,000 points. At that point the market's weakness would start to threaten banks' capital ratios, putting another restraint on recovery.

FT WORLD WEATHER

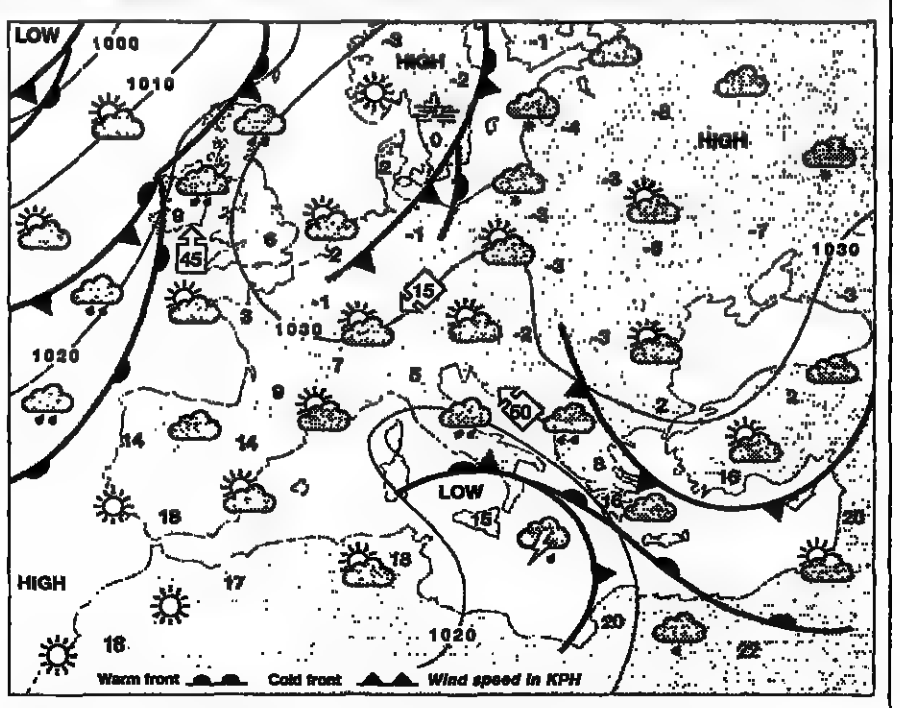
Europe today

The arrival of an active frontal zone over the British Isles will result in mild wintry weather continuing over much of the continent. Cloud and patchy fog will linger in the Benelux and northern France. Some light snow will fall in parts of Denmark and southern Sweden.

It will be dry in most areas along the northern Alps, but rain will persist over southern regions of Italy and Greece. The heaviest rain and occasional thunder is expected in southern Italy. Meanwhile, Spain and Portugal will be mainly sunny and dry. Rain will slowly approach the Atlantic coast from the west.

Five-day forecast

Cold air from the continent will begin to spread toward the west as high pressure over north Europe strengthens again. As a result, falling temperatures are expected over most of the the western continent. The British Isles, on the border of mild and cool air, will continue windy and rainy, especially in the west. Unsettled conditions with areas of heavy rain will continue over Italy and Greece.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
Abu Dhabi	sun	30	Belfast	rain	9	Cardiff	fair	7	Frankfurt	fair	-3	Malta	shower	19	Rio	shower	25
Accra	cloudy	31	Belgrade	cloudy	0	Chicago	snow	-2	Geneva	cloudy	0	Manchester	fair	5	Riyadh	sun	27
Algiers	fair	17	Berlin	fair	-3	Cologne	fair	1	Gibraltar	sun	16	Manila	fair	29	Rome	rain	17
Amsterdam	fair	3	Bermuda	shower	27	D' Salaam	cloudy	28	Glasgow	fair	7	Melbourne	fair	20	S. Frsco	sun	23
Athens	cloudy	12	Bogota	shower	19	Dakar	fair	26	Hamburg	fair	0	Mexico City	fair	22	Seoul	shower	8
B. Aires	cloudy	19	Bombay	fair	31	Dallas	fair	12	Helsinki	cloudy	0	Miami	fair	29	Singapore	cloudy	27
B.ham	fair	6	Brussels	fair	2	Delhi	sun	27	Hong Kong	rain	16	Milan	cloudy	5	Stockholm	snow	-1
Bangkok	cloudy	28	Budapest	fair	-1	Dubai	sun	30	Honolulu	fair	27	Montreal	cloudy	3	Strasbourg	fair	-1
Barcelona	fair	15	C.hagen	fair	3	Dublin	rain	9	Istanbul	fair	7	Moscow	cloudy	-6	Sydney	fair	32
Beijing	cloudy	4	Cairo	fair	22	Dubrovnik	cloudy	13	Jersey	fog	6	Munich	fair	-4	Tangier	sun	17
			Cape Town	fair	25	Edinburgh	fair	7	Karachi	sun	31	Nairobi	cloudy	25	Tel Aviv	fair	19
			Caracas	fair	28	Faro	sun	17	Kuwait	fair	28	Naples	rain	15	Tokyo	fair	13
									L. Angeles	sun	25	Nassau	fair	28	Toronto	rain	4
									Las Palmas	sun	21	New York	cloudy	9	Tunis	cloudy	18
									Lima	cloudy	23	Nice	fair	13	Vancouver	shower	8
									Lisbon	sun	15	Nicosia	shower	22	Venice	rain	8
									London	fog	5	Oslo	fair	-1	Vienna	fair	-1
									Lux.bourg	fair	0	Paris	fair	3	Warsaw	fair	-3
									Lyon	fair	1	Perth	fair	29	Washington	rain	11
									Madeira	fair	20	Prague	fair	-5	Wellington	fair	20
									Madrid	fair	11	Rangoon	fair	32	Winnipeg	cloudy	-2
									Majorca	fair	17	Reykjavik	rain	4	Zurich	fair	-2

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Weekend FT

SECTION II

Weekend November 27/November 28 1993

Revolutionary forces which will destroy income tax

What has gone wrong with the way that revenue is raised? asks ***John Plender****. And how do we find a more coherent system?*

The tax reforms of the 1980s have failed; the tax system is a fraud; and next Tuesday's new-look Budget, however hard chancellor Kenneth Clarke and his officials have laboured, is unlikely to make things better. Can anything be done to restore legitimacy to the tax system? And if so what would it look like?

In arguments about Budget changes, we often forget the really big question: have we got the wrong system in the first place? Britain's first unified Budget which combines tax and spending, is a good time to try to answer it.

But first remember that the stability of the nation may depend on having a tax system which citizens think is reasonable, however much they dislike paying. It was a tax revolt that helped bring about the Glorious Revolution of 1688 and a tax revolt that led to the foundation of the US. More recently, Margaret Thatcher's ill-judged obsession with the poll tax was the immediate cause of her being toppled from power. Tax was the issue which lost elections for George Bush and Neil Kinnock on two sides of the Atlantic last year.

Although tax changes are politically fraught and technically difficult, strong economic forces are now pushing Britain and other countries towards radical reform.

What, then, has gone wrong after so much change and debate? Public discussion has tended to focus on the way in which taxes redistribute wealth from one section of the community to another. This function of tax is often justified by the principle that an extra pound is worth more to the poor than to the rich.

At another level, there has been vigorous debate about the level at which taxes make the economy less efficient, for example by weakening incentives. Above all, there was a presumption that the system would be administered by a wise and benevolent government (like the guardians of Plato's *Republic*). As a result, discussions on tax policy were élitist and secretive. Until recently, these matters scarcely concerned most people because, as John Kay and Mervyn King say in their classic book *The British Tax System*, less than a fifth of the working population in 1939 paid income tax. Most people paid only indirect taxes and there was no corporation tax. Everything changed with the second world war and the rise of the welfare state.

Since 1960 the whole of the working population has become subject to income tax. The collision of an imperfect income tax system with the growth of public spending gave politicians a huge incentive to mess about with the system by offering special benefits to interest groups who might help them to get elected.

The tax system came to reward people not for what they did but for what they were: home owners, pension scheme members, personal equity plan holders and the rest. Rival interest groups divided the spoils according to prevailing political pressure. The result was that patterns of saving, investing and working became heavily distorted. Tax avoidance became a growth industry. The idea of a progressive income tax that rose more than proportionately with income was subverted. Distorted incentives undermined economic efficiency.

It was at this point that conventional wisdom about redistribution confronted an intellectual challenge from the libertarian right.

In *The Constitution of Liberty*, Friedrich Hayek, following Von Mises, launched a frontal assault on the progressive character of the tax system, arguing that a democracy in which the majority was free to impose a discriminatory tax burden on the minority was unjust and oppressive. He implied that the rearrangement of income and property rights by a process of haggling between interest groups is ultimately destabilising and that if people really understood how coercive the nature of the redistributive process was, they would be most unlikely to endorse it.

At the same time the development of public choice theory in the US challenged the view of a benign state run by philosopher kings. James Buchanan and his followers offered instead a vision of a state which had become predatory, using its monopoly power over the tax base to maximise revenue. Theirs was a populist and constitutional alternative to the élitist, approach. They sought non-electoral means to constrain the coercive nature of democracy, which Lord Hailsham dubbed in Britain as "elective dictatorship". The theory found an echo in the Californian tax revolt of the late 1970s, when voters successfully restrained property taxes through the celebrated Proposition 13.

The new Right did not score a decisive victory, however. The idea of a social contract, outlined by the philosopher John Rawls, provides a potential justification for redistribution that has been used as a powerful counterweight to Hayek and his followers. Others, such as Dan Usher, the Canadian economist, while attacking the arbitrary reassignment of income and property rights through the tax system, argued that redistribution which threw up losers as well as winners was necessary to make capitalism acceptable.

Yet by the 1980s the practical case for the reform of heavily distorted tax systems across the world was overwhelming. The motto of reformers was "fiscal neutrality" – the doctrine that tax should not unnecessarily influence the way people spend and save.

Such neutralism was hostile to the kind of social engineering in which the tax system had transformed share ownership from a personal to an institutional habit and turned the British into a nation of home owners. It was also hostile to high marginal rates of direct taxation. So the thrust of reform was to reduce headline rates of tax and to broaden the tax base by scrapping allowances and reliefs and by increasing indirect imposts such as value added tax.

The formula was applied with varying degrees of rigour in all the English-speaking economies. The aim was to minimise disincentives and bring back some coherence to a ramshackle system that reflected a host of conflicting priorities.

This brings us to the fraud. For, while some gains were made on the long path towards neutrality, the overall result of all this frenetic budgetary activity is that the boundaries of the state have not been rolled back and the taxpayer is no better off. In the March budget, the Treasury's Red Book was projecting that public expenditure in 1993-4 would amount to 45⅛ per cent of national income, higher than the 44 per cent which the Thatcher government inherited when it took office in 1979. Taxes, meantime, at 34½ per cent of national income are back to much the same level as in 1979, having been higher than that in all the intervening years.

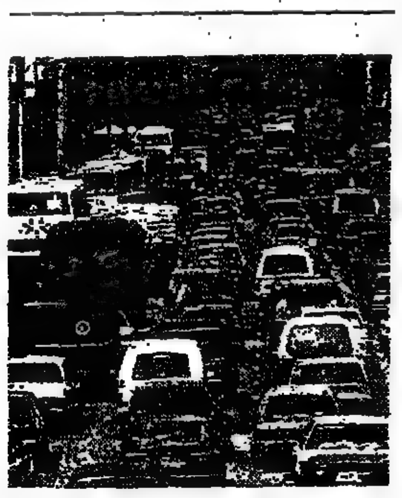
Even allowing for different stages in the economic cycle, it is clear that the taxpayer has been hoodwinked by political rhetoric. The government's tax-cutting credentials are a sham. Not surprising, say the public choice theorists – this is a practical victory for the predatory state, notwithstanding Lady Thatcher and all her works. The most that tax reform has achieved is the reassignment of tax shares around different groups in the population, with some modest gains in economic efficiency.

Already those gains are being eroded or off-set by other changes. The process of simplification started by Lord Howe (chancellor from 1979 to 1983) and continued by Lord Lawson (1983-1989) led to a plethora of income tax rates being slimmed down to just two: 25 per cent and 40 per cent. But with Norman Lamont (1990-1993), Clarke's predecessor, the tax system acquired new encrustations with with the announcement of a 20 per cent tax rate.

The method of taxing pension funds, one of the more coherent parts of the system, is being dismantled on an ad hoc basis for no better reason than that the Treasury needs the money. New reliefs have been created and existing reliefs tinkered with. A new cycle of sharing out the spoils and adding new wrinkles is under way. There is, meantime, a widely held view that the limit of how much can be taken from citizens in tax has almost been reached.

■ Continued on Page X

CONTENTS



Victor Mallet explains why Bangkok's *traffic is driving everyone mad ... Page XI*

The Long View / **Barry Riley**

Throes of thrift

Chancellors of the Exchequer like to pay respectful homage to the nation's savers, but sometimes thrift can go too far. The personal sector savings ratio hit a remarkable 12½ per cent in 1992, and expectations of a lively consumer-led economic recovery depend on that falling to, say, 9 per cent next year. This is not a time when encouraging the savings habit is a priority, which is just as well, the track record of previous chancellors in creating tax breaks fails to stand up to close scrutiny.

One tax-based investment scheme which already has a termination date of December 31, 1993 pinned on it is the Business Expansion Scheme, introduced in 1983 to encourage wealthy private individuals to provide risk capital to support small, unquoted companies.

Rather than raising the flow of capital, however, the BES seemed to increase the risks. Few made money except the intermediaries. Soon the search was on for lower-risk businesses which qualified under the rules, but they were asset speculations rather than the manufacturers and traders that the government had targeted.

The BES's final fling has been in financing rented housing, with the likes of Oxford colleges raising millions to house students: this is a worthy cause, no doubt, but surely does not carry a high priority for the taxpayers' support when there is a £50bn budget deficit.

Then there was John Major's own pet scheme from his days as chancellor, the Tessa. This popped up for no obvious reason in the 1990 Budget, and was immediately open to the criticism that it would encourage little new saving, but only cause existing deposits to be shifted to the tax-free accounts. Although about £15bn has been lured into Tessas, the benefit to the public interest is hard to see.

Neither has much of a favour been done for Tessa holders, who are now trapped. When the accounts were first available in January 1991 they yielded about 14 per cent. Next January the return may be down to 5¼ per cent and who knows how much lower it might go? After all, the banks and building societies can now exploit a helpless group of depositors. This is because nearly all the Tessas were opened in 1991, and cannot be liquidated before 1996 without the loss of all previous years' tax relief.

Kenneth Clarke could do these depositors a favour, and save the Exchequer a little future money too, by closing the Tessa scheme down after three years, with tax relief.

Another tax-based savings scheme that has veered off course is the personal equity plan. This was Nigel Lawson's bright idea in 1986 to encourage direct investment in UK equities at the expense of the institutions. The Pep, along with various employee share schemes and the privatisation of businesses on the cheap, was intended to promote "popular capitalism".

Originally collective funds such as unit trusts and investment trusts were excluded from Peps, but they lobbied hard and won a modest foothold. With less than masterly timing, Peps were launched a few months ahead of the 1987 stock market crash and sales lagged badly. This gave the collective fund promoters their chance: they could provide the marketing drive which might get the Peps off the ground.

Today the Pep has become overwhelmingly a unit trust tax break, with sales of £2bn of unit trust Peps in the last tax year. A full £6,000 annual Pep can be invested in a collective fund, only half of which need even be in equities.

Now the unit trust trade association Autif is lobbying for £3,000 tax-exempt gilt-edged plans to be introduced in next week's Budget. The industry could shift £1bn a year in gilt plans, it reckons. Among other claimed advantages the gilt plans would further boost popular capitalism – though frankly it beats me what an investment in government bonds has to do with capitalism.

This, I suppose, should only be regarded as a nice try by the unit trust men. But I would remind Kenneth Clarke that if he really wants to offer tax incentives to individuals for buying gilts he simply has to offer a tax-exempt issue through National Savings.

Norman Lamont surreptitiously reduced the appeal of Peps last March through his cut in the rate of tax which could be reclaimed on UK company dividends from 25 to 20 per cent. More seriously, the same applied to pensions, including personal pension plans.

So passive last March, the pensions industry has worked up a furious propaganda campaign ahead of the latest Budget, fearful that its formidable remaining annual £15bn of tax reliefs will prove an irresistible target for Clarke. Certainly the Chancellor must focus on the logic underlying the tax treatment of the main savings schemes in pensions and life assurance, and can ill afford to be diverted by pet projects.

Life assurance is an emergency case for the Treasury, although paradoxically it may not figure in the Budget. Three years ago the Inland Revenue conducted a review of life assurance taxation, but ignored the implications of the Third Life Directive which was then only in draft but is soon due for implementation throughout the European Union. From next July life companies based around Europe, and especially in Luxembourg and Dublin, will be able to market investment policies into the UK offering tax-free roll-up. Caught napping, the life industry and the Revenue are locked in secret sessions to find a response.

Tax men hate to recognise it, but there is a world out there where they do things differently. When the frontiers are opened investors are no longer helpless victims of the local tax inspectors. Internationalisation will mean that British chancellors will no longer find it easy to devise their own little savings schemes.

Recent history suggests that will be a thoroughly good thing.

London

The opium of the chattering classes

By Bernard Gray

Ever since Kenneth Clarke was pushed centre stage in *The Tories*, an everyday story of Westminster folk, traders in the equity market have been confidently expecting an interest rate cut. Playing the part of a softhearted-but-plain-speaking Midlands' son of toil, the chancellor seemed certain to boost the soap opera's flagging ratings with some well timed relief for hard-pressed homeowners and grim-faced industrialists. Yet the summer came and went, the party conference season passed. Equity-watchers never lost faith that Clarke would eventually remember his lines.

On Tuesday the market finally got what it wanted, with a half-point cut in base rates to 5½ per cent, though the suspense had rather been spoiled by the long wait. As a result the FT-SE 100 index actually fell by 1.3 points on the day and only rose by 3.4 points through the week to finish at 3111.4. The muted response perhaps reflected fears that the interest rate cut was only part of the story. Would the sequel – "Budget II – the next generation" prove a real tear-jerker?

Opinions were divided. Astute TV addicts pointed out that in conventional plots the happy ending follows the sad scene, and that the rate cut was authorised because the inflation outlook was good. And since the fall was only half a percentage point, the budget might well prove to less savage than feared. By the end of the week the market consensus was that perhaps only £2bn-£3bn of extra taxes would be raised. That encouraged hopes that the pattern of recent budgets, where equities rose in anticipation of the speech and fell in response, might be reversed.

Elsewhere in the television jungle there was plenty of chatter. On Wednesday Peter Brooke, the heritage secretary, finally agreed to allow ITV companies companies to own two franchises, intensifying the speculation about who was about to buy what. The move is intended to improve the efficiency of ITV companies by removing some duplicated costs.

Now, apart from forbidding the merger of the two London stations, it is open season. Once the legislation is passed Granada is widely tipped to bid for LWT, and Carlton might have a tilt at Central. The again, Central is rumoured to be eyeing Anglia which may also be on the receiving end of Meridian's attentions. MAI, which owns a majority stake in Meridian, is also supposed to be looking at buying HTV. The confused can perhaps take refuge with Yorkshire Tyne Tees, which, since it already owns two franchises, is about the only company which is safe. Dinner table conversation in Hampstead, never knowingly understated, reached fever pitch as the permutations proliferated.

Another group apparently intent on turning a drama into a crisis was Opec, which met in Vienna this week. Despite the recent weakness in the price of crude oil, the cartel did not agree to cut production and oil prices tumbled to a five- year low of $14.50 a barrel on Friday. Adjusted for inflation crude oil is now almost back to the low point reached in 1986, and only marginally above the real price it traded at before the first oil shock of 1973-74. JR Ewing and *Dallas* fell victim to the last bear market, so would Opec follow this time?

Those of a depressive disposition were busily writing the cartel out of the series: a weakened Opec laid low by increasingly efficient Western production and the strains of reducing oil incomes. The less apocalyptic script is that Opec was not prepared to be bullied into output cuts by the market when the degree of overproduction was so small. A few more chilly weeks in Western Europe might be all it needed to bring the market back into balance and pull the crude price back above $16 a barrel.

Share prices of the large integrated oil companies held up on the assumption that the crude price weakness was temporary. There was, however, some selling yesterday by those US investors who returned to their phones after Thursday's Thanksgiving holiday. Over the week, Shell slipped 9p to 678p and BP 8p to 333p.

Exploration companies, which do not have refining businesses to offset the falling oil price, fared worse. Lasmo fell 16p to 117p, and Enterprise 19p to 437p. The price of petrol has not thus far been a notable casualty.

Still, it was not all gloom in the energy business. Half year figures from PowerGen and Scottish Power proved that privatisation is good for you. Having cut staff costs immediately after it was floated PowerGen is now running down its coal stocks and releasing cash. Scottish Power has taken advantage of the cheaper coal deal negotiated by the English generators to cut its own bill from British Coal.

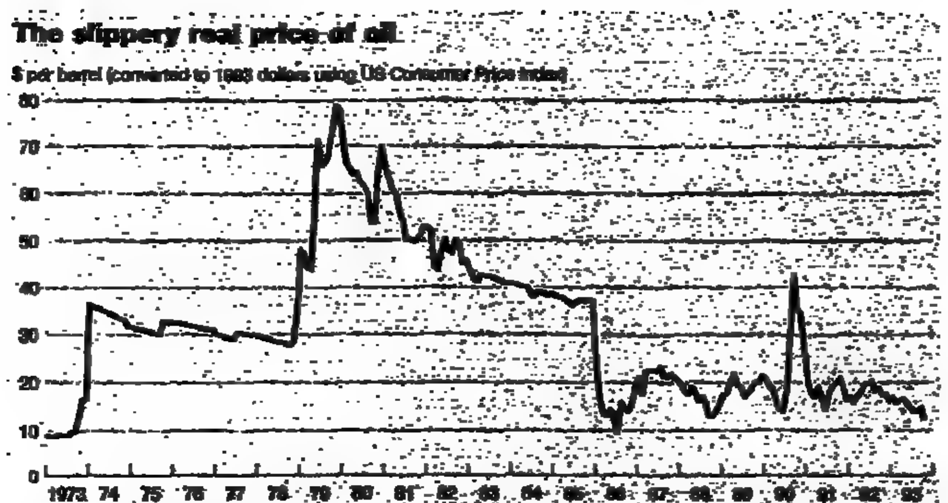
The threat of referral to the Monopolies and Mergers Commission still hangs over the English companies. That will probably curb the market's enthusiasm over the next few weeks but, in spite of the share price rise since flotation, many think the electricity companies still look attractive.

Undoubtedly the star of the week was Peter Wood, the founder of Direct Line insurance, who has taken the motor insurance industry by storm since 1985. Under his profit-linked pay package he received a bonus of £18m. He also took a £24m payment to buy out his contract which had come to embarrass both Wood and Royal Bank of Scotland, the owner of Direct Line.

Now the reluctant hero is to buy some Royal Bank shares, and fund managers concluded that if they were good enough for him, they were good enough for them too. The shares rose 14p to 384p. Wood is, apparently, a workaholic, which brings to mind J P Getty's recipe for success: get up early, work hard, and strike oil. These days it seems insurance, rather than oil, is the place to be.

The slippery real price of oil

$ per barrel (converted to 1993 dollars using US Consumer Price Index)



Source: Datastream/FT calculations

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	3111.4	+3.4	3199.0	2737.6	Pre-budget confidence rally
AIM Group	138	-37	185	123	Profits warning
Allied-Lyons	596	+22	646	517	Satisfactory results
Anglia Television	448	+19	450	194	Bid target as TV rules change
BPB Inds	279	+16	281½	180	Interim profits up 60%
BT	461½	-8	478½	376	Robert Fleming "sell" note
Euro Disney	350	-65	1160	268	Banks fret over restructuring
Hazlewood Foods	141	-20	200	139	Gloomy statement
ICI	722	+36	740½	608	Ethylene production cuts
Kwik Save	566	-18	653	565	Results show margin pressure
Lasmo	117	-18	195	116	Dividend fears
Royal Bank Scotland	384	+14	386	207	Excellent Direct Line figs
Tate & Lyle	404	+14	439	355½	Positive trading statement
Thorn EMI	923	-24	1017	809	Dividend disappoints
Yorks-Tyne Tees TV	176	-36	234	110	Changes rule out bid

Serious Money

Don't be rushed by Budget hype

By Philip Coggan, personal finance editor

The timing of this week's base rate cut is a salutary reminder that chancellors (and governors of the Bank of England) like to surprise us. Everyone was expecting the cut to be announced on Tuesday as a counterpoint to tax increases in the Budget.

So, if that was a surprise, chancellor Kenneth Clarke probably has more unexpected measures up his sleeve. Before the last Budget, I do not recall anyone forecasting the changes which Norman Lamont made to the taxation of dividends.

All this should emphasise the dangers of rushing out and making investment decisions on the basis of expected Budget measures. One possibility is that tax relief on personal pensions could be limited to 20 per cent. This has a certain logic, in that the government has reduced other reliefs (such as those on mortgage interest) to the 20 per cent level.

It might, thus, seem sensible for higher-rate taxpayers to make some quick single premium payments into personal pension schemes. But implementing the proposal would run counter to the government's obvious desire to encourage a greater shift away from state pension provision. And even if Clarke did make such a shift, it might well not come into force until the start of the next tax year. Investors would then have plenty of time to consider the pros and cons of a pension contribution in the light of hard news rather than rumour.

It seems highly plausible (although I confess the chancellor has not confided his plans to me) that the thrust of any Budget change will involve the personal tax allowance (£3,445 this year). Tax relief on the allowance will be limited to 20 per cent (a measure which will cost a higher-rate taxpayer £689 a year), but the chancellor will give some of the money back by extending the 20 per cent band. If he widened the band enough, he could declare it to be the basic rate of tax, thereby meeting a long-standing Conservative tax-cutting pledge while raising taxes at the same time.

If such a change does occur, then the various tax-free schemes (Peps, Tessas etc) will become more important for top-rate taxpayers. But investors will have until April to make their decisions.

* * *

Regular readers will know I am a fan of indexed funds, so it is good to see the launch of a new indexed investment trust. The Fairbairn European Smaller Companies index trust has the added advantage of opening up a new area for indexation; to date, most funds have been either UK-based or devoted to major overseas indices such as the Standard & Poor's 500.

James Capel, which is launching the fund together with Providence Capital, has developed a new European smaller companies index which covers 17 countries and 1,000 stocks. The investment trust will buy a basket of 350 stocks designed to replicate the capital performance of this index.

The managers believe there is an identifiable investment opportunity in European smaller companies. In both the US and the UK, smaller company shares have rebounded as the national economies moved out of recession. In Europe, the recession appears to be bottoming and smaller companies have had a long period of underperformance; a turnaround could be due.

It could be argued that indexation is less appropriate in the field of smaller companies. One key argument in its favour is that stock markets are efficient, so that it is impossible for active managers to beat the index consistently. But small company shares are followed much less and the markets are much less efficient so, accordingly, the active manager ought to have more scope to outperform.

The managers contend, however, that if there is a opportunity for profit, why take the risk that an active manager will underperform the index? It is true that the Fairbairn trust is also likely to underperform the index's total return; in view of dealing costs and the managers' 0.7 per cent annual fee. But the charges will be taken from income and the end result should be fairly close to the capital growth of the index.

The minimum investment is £2,000 and the trust is Pep-qualifying.

* * *

The European smaller companies offer is dwarfed by a rival issue, the Mercury World Mining Trust. This has already raised a staggering £380m from institutions, making it the largest investment trust issue ever.

It is tempting to believe that, when managers can raise £380m for a commodity trust, it is the sign of a bull market gone mad. In fact, apart from gold, base metals prices are severely depressed, having fallen 42 per cent since 1989. Some of those investing in the trust will be "gold bugs" backing manager Julian Baring; others will be taking the view that metals prices have been down for so long that the only way forward is up. Contrarianism seems, paradoxically, to get ever more popular.

But some commentators believe we have entered a long deflationary phase in which competition from emerging markets will exert a continual downward pressure on prices.

If their view is right, then the correct investment is not commodities but a heavy weighting in bonds, with the main equity exposure in emerging markets. Only if you believe that world inflation will return with a vengeance, does a mining trust make sense, and even then index-linked gilts are probably a more sensible option.

AT A GLANCE

Unit trusts celebrate record October sales

The unit trust industry had its best October on record last month, with net sales reaching £845.9m, up from £688.6m in September. Net sales to retail investors were £575m, up from £411m in September, according to the Association of Unit Trusts and Investment Funds (Autif). So far this year, net unit trust sales have been £7.8bn, compared with building society net receipts of £2.7bn over the same period.

Co-operative Bank cards plan

The Co-operative Bank has simplified and reduced the interest rates charged on its Robert Owen card, and affinity cards issued by the RSPB, Help the Aged, Amnesty International, the Labour Party, and the Liberal Democrats.

From January 1 1994, there will be a single rate of 1.7 per cent a month (22.42 APR), down from the present rates of 1.85 per cent for direct debit payments and 2.35 per cent otherwise. The original structure involved three tiers relating to the amount spent on the card each month, but this was found to be too confusing.

Nationwide's new bond

Nationwide's new escalating three-year Fixed Growth Bond will pay 5.5 per cent gross in the first six months, rising to 7.5 per cent gross in the last six months. Those closing the account in years 2 and 3 will lose 180 days' interest.

Britannia's Guaranteed Reversal bond pays a variable rate which changes by half a percentage point with every half point chnage in bank base rates. Base rates at 5.5 per cent attract interest at 6 per cent gross. The maximum interest rate is 7.5 per cent gross (base rates at 4 per cent) and the minimum is 5.5 per cent (base rates at 6.5 per cent).

The bond matures on October 1 1994.

The minimum investment in both building society bonds is £5,000. Portman is paying a fixed rate of 6.5 per cent gross for six months (or 6 per cent for one year) on a minimum deposit of £500. It will withdraw the bond on Tuesday.

Cheaper weekend phone calls

BT and Mercury are slashing their long-distance week-end prices from next Saturday. A 3-minute BT call to anywhere in the country will cost 10p; a Mercury 3-minute call will cost 8.8p. Mercury is offering further reductions for week-ends in December and January.

Across about half of the country (including London), BT users without a Mercury "blue button" phone can become Mercury subscribers within a few days by means of a "132" connection. Once registered, subscribers access Mercury's long-distance and international network by prefixing their calls with the digits "132". Mercury charges an annual fee of £10.

Guide to council tax

The Child Poverty Action group has published a guide to the council tax, covering all aspects of the tax and its application, including how properties are valued and assigned to bands, who is liable to pay the tax, and how payment can be enforced, discounts.

It also explains who is eligible for council tax benefit, and the various ways to reduce your tax bill through discounts, disability reductions and transitional relief. The Council Tax Handbook is available from CPAG, 1-5 Bath Street, London EC1V 9PY, for £7.95 including post and packaging.

Insurer buys Denplan

PPP, the UK's second largest medical insurer, yesterday announced that it had bought Denplan, the largest private dental healthcare business. More than 25 per cent of dentists are members of Denplan, and 400,000 patients are registered. PPP provides private medical cover for nearly 2m people. The new relationship will have no immediate effect on subscribers of either Denplan or PPP, but cross-marketing and joint projects between the two are likely in future.

Smaller companies fall again

Small company shares slipped again this week. The Hoare Govett Smaller Companies Index fell 0.9 per cent from 1582.02 to 1567.43 over the seven days to November 25.

Wall Street

Wielding the knife at Thanksgiving

While most of the country was enjoying Thanksgiving on Thursday with traditional excesses of turkey and televised American football, thousands of employees of Philip Morris and NCR had little to celebrate.

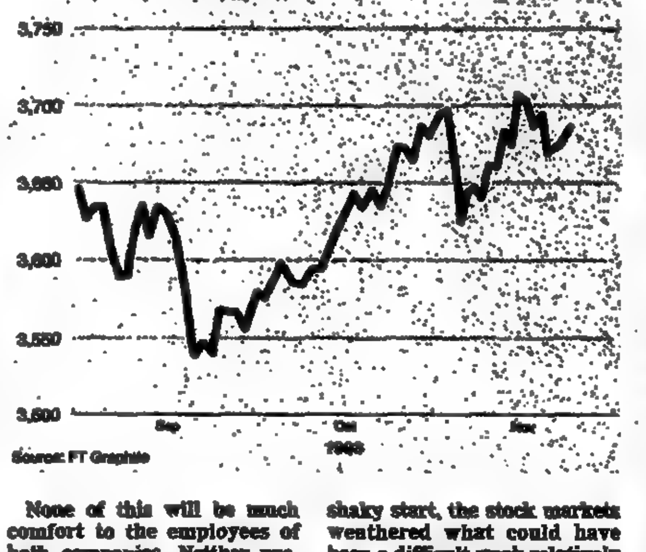
On Wednesday, the food and tobacco group announced plans to close as many as 40 plants and eliminate 14,000 jobs in a restructuring programme intended to reduceits annual operating costs by $1bn. On the same day the computer group, NCR, said it would offer 25,000 employees early retirement in an attempt to cut 7,500 jobs from its payroll.

The layoffs and cost-cutting measures came as a shock to equity markets, primarily because investors believed that the long and painful restructuring of US industry – which has been a feature of life in Corporate America for the past two to three years – had been completed. Philip Morris and NCR, however, have provided a sharp reminder that companies cannot afford to relax their efforts to cut costs and improve efficiency. In an economy where sluggish growth, weak consumer demand and almost non-existent inflation has made price competition keen, companies have to stay fit and fast on their feet to thrive.

This point was brought home by the fact that the restructurings at Philip Morris and NCR were not emergency measures to keep struggling businesses afloat. Philip Morris reported a profit of $4.9bn in 1992, the largest of any US corporation, and although its domestic tobacco business is under intense pricing pressures. Its overseas tobacco and food businesses are in good shape.

And, while NCR's earnings performance this year has been less than sparkling – the company lost money in the most recent quarter, dragging down the profits of its parent, the telecommunications group AT&T – computer industry analysts believe NCR is well-placed to prosper, having already made the strategic decision to shift its business away from mainframe and minicomputers toward "open" networks of linked computers.

Dow Jones Industrial Average



Source: FT Graphite

None of this will be much comfort to the employees of both companies. Neither provided details on where the cuts would be made, which will have ruined Thanksgiving for the many thousands of workers who could lose their jobs in the restructurings.

For millions of equity investors, however, Thanksgiving was not as distressing as it might have been, for after a shaky start, the stock markets weathered what could have been a difficult week relatively well.

At one point on Monday, conditions were perilous. Bond prices had dropped sharply as investors in fixed-income securities continued to sell government securities amid new evidence of resurgent economic growth. The subsequent rise in bond yields to their highest levels since midsummer, and some heavy losses in overseas equity markets spooked investors in the stock markets, who drove the Dow down more than 40 points at one stage.

At that moment, the gloomy prediction of some analysts – that rising bond yields would spark a sharp downward correction in share prices – looked as if it would be fulfilled. But the declines in bond prices on Monday did not carry through to the rest of the week, and an unexpectedly strong bond market rally ensured that stocks stayed mostly in positive territory. The Dow Jones Industrial Average bounced back with modest advances on the next two days, and were holding their own at mid-morning yesterday. Trading was quiet because the stock markets were closed on Thursday and shut down early on Friday, but the mood among investors was generally upbeat.

The recovery in bonds, which lowered long-term interest rates, as measured by the yield on the benchmark 30-year bond, from 6.38 per cent to 6.26 per cent, was not the result of a fundamental change in bond market sentiment. After all, there was nothing this week to ease fixed-income investors' concerns that interest rates are now on a steady upward path.

Instead, bond prices rebounded on mostly technical considerations – the lack of fresh selling on Tuesday surprised dealers and investors who had sold bonds short in anticipation of further losses, and they were forced to buy bonds to cover their short positions. A decline in commodity and oil prices, the latter sparked by OPEC's failure to agree on production cuts, also supported bond prices.

Even if it was technically-driven, the bond market's rally helped assuage fears among equity investors that rapidly rising Treasury yields might bring the long bull market in stocks to a halt. For that, at least, Wall Street could give thanks.

Patrick Harverson

Monday	3670.25	– 23.76
Tuesday	3674.17	+ 03.92
Wednesday	3687.58	+ 13.41
Thursday	Closed	
Friday		

The Bottom Line

Thorn likes pumpkin in its pie

If you cannot hum a tune by the Smashing Pumpkins, you are not alone. Even Bottom Line's tuned-in secretary turns vague when the group is mentioned.

The Smashing Pumpkins hail from Illinois. This week Thorn EMI announced that the group's success had helped its music division increase half-year operating profits by 48.3 per cent to £89.9m.

A trawl of the rock reviews reveals that the Smashing Pumpkins' lyrics are "full of regret and unfulfilled desires". The description could be applied to Sir Colin Southgate, Thorn's chairman.

Sir Colin's unfulfilled desire is for his work in recasting Thorn to be recognised. He has concentrated on turning its two largest businesses, music and rentals, into world leaders.

Yet, when he bought Virgin Music last year for £510m, making Thorn one of the world's three biggest recording groups, the critics complained that he had overpaid. What they ignored was that there were others waiting to buy Virgin. It was an essential purchase if Thorn was not to be relegated to the second rank.

As it happens, this week's results were a vindication of the acquisition. Virgin's profits of £36.5m accounted for 41 per cent of Thorn's total music profits.

The rental business, which rents out anything from video recorders to jewellery, also saw profits rise 17.7 per cent to £52.6m. Overall pre-tax of profits £105m were unchanged on last year, but were depressed by a £10m exceptional charge arising from the sale of Thorn lighting and Thames Television. Operating profit from continuing operations rose to £121.3m from £97.6m.

Net borrowings of £399.2m were £58.8m lower than at the half-way stage last year. Debt fell to 56.4 per cent of shareholders' funds from 103.6 per cent a year ago.

Yet Thorn's shares have had a rocky ride. They have gone from a high of 1,009p at the end of August, to 895p last Wednesday, the day after the results were announced, before recovering to 923p yesterday.

Sir Colin Southgate, chairman of Thorn EMI

Thorn has two problems. The first is that its rental division has been under a cloud since a report on its US operations in the Wall Street Journal last September. The newspaper alleged that the debt collection procedures of Thorn's US staff ran to guns and gangs of Hell's Angels.

Sir Colin's reaction to the article should be on every business school curriculum as a lesson in how not to handle bad publicity. If the charges were false, he should have denied them. So far, he has not done so convincingly. If they were true, he should have said the group would deal with the perpetrators.

Instead, he said how hurt he was. Any sympathy understandably went to Thorn's allegedly persecuted customers. Seven weeks after the article appeared, Thorn announced that former Senator Warren Rudman would investigate the allegations.

The second problem is that Thorn cannot sell its defence subsidiary. The General Electric Company had a look at the business earlier this year, but was not prepared to pay enough. It is difficult to see the value of the business rising, however. It lost £14.7m in the first half, compared with £1.4m last time. Lord Weinstock, GEC's managing director, has a habit of biding his time. He often wins his prize, usually paying a price considerably lower than the number first thought of.

If Thorn does get rid of its defence business, thoughts will turn to a demerger, or the prospect of a buyer for the music division. Much attention is being focused on multi-media, or the idea that we will watch a group play on our screens, while our speakers pump out compact disc quality sound and our printers spew out copies of the lyrics. A computer or cable television or telecommunications company could buy Thorn for its collection of music copyrights.

This sort of thing has been talked about for years, without amounting to much. It might be different this time, but the multi-media business is as full of unfulfilled desires as a whole stage of Smashing Pumpkins.

Michael Skapinker

A guide for wide-eyed graduates

*So you've left university and started work. **Bethan Hutton** explains how to negotiate the financial labyrinth*

So you're a 1993 graduate, starting your first job this autumn. You might have been impressed initially by monthly pay cheques as big as the grant cheque you got each term.

By now, however, you probably have realised that the more you earn, the faster money tends to disappear. Food, rent, council tax, transport, clothes for work and an active social life can leave very little in the bank at the end of the month. So, this could be a good time to sit down, examine your financial situation closely and work out your priorities.

The first task for many new graduates will be repaying the debts accumulated during their studies. The average 1993 graduate left college owing almost £1,800, according to a survey this year by Barclays bank. "Interest rates are low at the moment but, if someone is going to organise their finances properly, debt repayment must be a priority," says Mark Bolland, of London fee-based financial adviser Chamberlain De Broe.

A growing proportion of student debt arises from official student loans. But these have a very low interest rate and repayments do not start until the April after graduation, so they are not such an immediate worry; in any case, graduates earning less than 85 per cent of average earnings (now £1,165 gross a month) can delay repayment.

Bank overdrafts and loans, however, usually carry much higher interest rates and should be paid off as soon as possible. Running an overdraft can also lead to hefty bank charges, while credit card debts are an even more expensive type of borrowing.

A number of banks offer graduate loan schemes, intended to cover the expenses incurred in setting up home and starting work. Some also are marketed as a way to consolidate student debts with regular repayments.

This idea should be treated with caution, though: borrowing more to pay off existing debts is usually an easy way to end up in even deeper trouble. But if you have large debts at high rates which you have no hope of clearing in the short term, it could be worth looking at one of the special graduate loans – providing the rate is lower and there is no arrangement fee.

This could also be the time to look at what your bank is offering in terms of general service. The bank offering the most attractive deal to first-year students is not necessarily the best once you are in work.

Most of the big high street banks offer graduate packages for six to 18 months after finishing university. These usually involve free banking and preferential loan and overdraft rates and most are are open to all new graduates, not just existing customers.

Once you have your debts and day-to-day finances under control, you can start thinking about planning for the future. Are you keen to settle down and buy your own flat, or are you waiting only for the results of your final accountancy exams before taking off round the world for a few months?

In either case, regular saving is a good habit to acquire while you are young and without dependants. But maintain a healthy scepticism towards people who say they have the ideal savings vehicle for you.

Remain especially alert when confronted by members of the financial services industry: once you are earning money, you are on their list of targets and some can be over-enthusiastic about trying to sell you life assurance and related savings policies. Some of these can turn out to be inflexible for the saver while paying good commission to the seller.

Watch out in particular for casual acquaintances from school or college who call out of the blue and are keen to meet. You could turn up expecting a relaxed drink but find yourself on the receiving end of a hard sell for insurance or investments.

David Harris, of independent advisers Chantrey Financial Services, says: "I do not believe that the majority of life assurance-related savings schemes are appropriate. The inflexible nature and longer time-scale of such plans makes them unsuitable."

Instead, he recommends looking at a range of more flexible products. These range from low-risk, tax-exempt special savings accounts (Tessas) and National Savings products such as the yearly plan and the investment account, to equity investments using a tax-free personal equity plan (Pep). You can save as little as £20 a month with all these schemes.

"Flexibility must be an important consideration for very young people," says Bolland. He recommends investment trust savings schemes as a sensible way of building up some capital.

Investment trusts are companies which buy shares; investors purchase shares in the trust as a way of gaining exposure to a spread of equities. Savings schemes allow you to buy small quantities of shares on a regular basis, with as little as £20 a month. Bolland also mentions National Savings, and the save-as-you-earn share option schemes offered by some employers, as worth considering.

As for housing, Bolland says: "Right now is probably a good time for young people to buy their own flats. It all depends on earnings but, in many areas, servicing a mortgage is cheaper than renting. I would suggest that this is a more practical use of money for someone at this stage of their life than engaging in long-term savings."

Accumulating some savings before taking on a mortgage is a good idea, however. Not only will this help with legal costs and so on but, if you can put down a deposit of around 25 per cent of the value of the property, you could avoid paying expensive mortgage indemnity premiums – and reduce the hazard of getting caught in a negative equity trap if property prices fall.

Retirement seems a long way off when you have just started work but people will tell you that, now you are working, you should think about a pension. "The financial services industry would have everyone believe that the younger you start saving for a pension, the better," says Bolland. But he is sceptical.

If your employer has an occupational pension scheme, Bolland says it will probably be worth joining, depending on a number of factors – most importantly, how long you expect to stay in the job.

Personal pensions, sold by life assurance companies, are less likely to be worthwhile at this early stage in your career because early payments are eaten up by commissions and charges and your personal and work circumstances are likely to change.

"If the person really is in a position to put some money away for retirement, then single premiums where possible should be paid," Bolland says. "The point is that it is daft to expect that a personal pension which might be suitable at age 22 will remain so for the rest of the person's life. There must be limited appeal in a 22 year-old tying up capital for 40 years or more."

Harris agrees. "At this age, it is difficult to see how single individuals would have a need for life assurance or sophisticated pension arrangements.

"It would be far more beneficial to think of channelling available resources into savings, which are flexible and may be used at a future date in purchasing property."

Bolland's advice is unequivocal: "I think the main point that people should bear in mind is that there are going to be a lot of people trying to sell them things, and that great care is needed to avoid making investments on spurious grounds. Keeping one's options open at all times is sensible."

Rate changes await Budget

Tuesday's base rate cut from 6 to 5.5 per cent triggered a number of mortgage and savings rate changes but most banks and building societies are awaiting the Budget before moving, *writes Scheherazade Daneshkhu*. Savers are getting nominally low rates for money left on deposit at banks and societies – many instant access savings accounts at societies pay about 4.5 per cent gross on deposits of £5,000.

If societies do not want to squeeze savers much further, they have two choices: to reduce mortgage rates by less than the full half point; or to squeeze their own margins in a bid to satisfy both savers and householders.

Banks have greater flexibility, since they can fund their mortgages through the money markets instead of relying on retail funds. They are competing aggressively for an increased share of the mortgage market.

The Nationwide and National & Provincial societies, and the National Westminster bank, all have cut their standard variable rate by a quarter of a percentage point to 7.74 per cent. Existing borrowers at N&P will have to wait until after the Budget before being told when the new rate applies, while those at Nationwide and NatWest will get the reduction from January 1.

Nationwide also has launched several new one-year mortgage discounts. The size depends on the amount of deposit borrowers have available.

Discounts of between 0.5 and 2 percentage points are available for Nationwide homeowners moving house, and for new borrowers. The obligation for borrowers with a deposit of less than 10 per cent to take out mortgage payment cover is being waived (except for some fixed and capped rates). The society also has waived its mortgage application fee, which covers the valuation for those borrowing up to 95 per cent. Nationwide will pay such borrowers £250 on completion of the mortgage.

Others to have cut their mortgage rate include the Newcastle building society, which has reduced by 0.24 of a point to 7.75 per cent, and Northern Rock, down by 0.34 to 7.65 per cent.

Royal Bank of Scotland has passed on the full 0.5 point reduction, taking its rate down to 7.49 per cent, while two centralised lenders, Bank of Ireland and Citibank, are reducing their rates to 7.6 per cent. Existing customers will benefit from December 1 at Bank of Ireland, and from January 1 at Citibank.

Centralised lenders are, theoretically, in a good position to lower their rates since, like the banks, they can get funding from the money markets. "They have the opportunity to be competitive; but since most new business is being done on fixed and discounted mortgages, they may decide to use their additional margins there," says Ian Darby, of mortgage broker John Charcol.

John Wriglesworth, building society analyst at UBS, is surprised that the societies are cutting their mortgage rates by as much as they have because of the pressure on savings rates. He says: "Societies have to offer relatively high savings rates because of pressure for retail funds from the stock market and the government. If they cut mortgage rates by an average of 0.25 of a point, I think savers' rates will come down by about 0.3 of a point."

The large societies are not revealing their hand until chancellor Kenneth Clarke reveals his in the Budget on Tuesday, but some banks have announced reductions in savers' rates already. NatWest has pruned 0.625 of a percentage point off most of its rates while Barclays has reduced by about 0.25 of a point.

FINANCE AND THE FAMILY

New look for tables

Readers of the Weekend FT will notice that the format and content of many statistical tables have been changed substantially. The changes were introduced first in Tuesday's edition.

The aim has been to bring the tables up to date, in tune with the needs of readers. The most obvious difference is that the tables have been given a consistent type face.

■ Equities. The London share service pages, which have been revamped in recent years, are largely unaffected by the changes. UK investors will note, however, that we have pulled together a number of statistics under the heading "Key Indicators" (see Inset for example; today's table appears on page 15 in the first section).

From Tuesday to Friday, the best-performing sectors appear as in the Inset; on Saturdays, a full list of Leaders and Laggards appears elsewhere on the page. The Saturday paper also includes the FT-SE 100's closing level on each weekday.

Substantial changes have also been made to our coverage of international equities (see page 20 of the first section). There is now scope for all shares to show highs, lows, dividend yields and price-earnings ratios.

Although we are not yet able to show these figures for all the stocks, we hope to fill in the gaps over the next few months. We have also expanded our range of world stock market indices, including more from emerging markets.

Equity options and futures now appear on the World Stock Markets page.

■ Bonds. Coverage of international bonds is now concentrated on one page. On Saturdays, this page is headed Bonds and Commodities; from Tuesday to Friday, it is called International Capital Markets.

Our gilts coverage has, therefore, moved from its old position (just before the London share service pages) to that page, which can be found today on page 12 of the first section.

The only alteration to the format of the information provided is that details of the income and redemption yield are now shown on the left hand side, rather than on the right as before.

■ Currencies. Because of the space created by moving some of the futures information to other pages, it has been possible to expand our coverage of currencies substantially. The two separate articles, on currencies and money markets, have been combined in a single report.

The currency tables have been expanded to include a greater range of countries. The mid-rate is now shown explicitly, rather than being left for the reader to calculate.

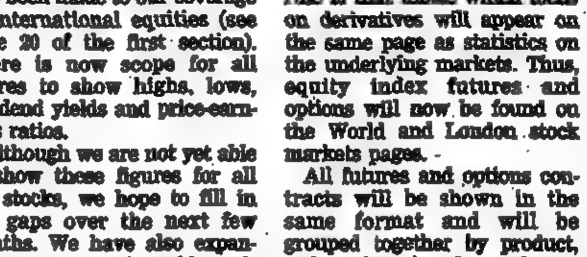
The table of cross-rates has also been expanded. All these statistics appear on page 13 in today's first section.

■ Derivatives. The general rule is that tables which focus on derivatives will appear on the same page as statistics on the underlying markets. Thus, equity index futures and options will now be found on the World and London stock markets pages.

All futures and options contracts will be shown in the same format and will be grouped together by product, rather than by the exchange on which they are traded.

It is always disconcerting to find that statistics which are used regularly by readers have changed, or have been moved to a different position in the paper. But we believe the new structure is a considerable improvement and that readers will find the statistics even more useful than before.

Philip Coggan



The Week Ahead

Hanson may have some good news on the US coal strike when it reports annual profits on Thursday. The strike cost Hanson £29m in the third quarter and it predicted it would cost £60m to £80m in the fourth, to the end of September.

Investors are keen to see a settlement, the only question is what the coal producers will have had to give to the mineworkers to achieve that.

The market is also hoping for a dividend increase, although forecasts are for a fall in pre-tax profits from £1.29bn (FRS3 basis) in 1992 to £1.05bn-£1.07bn, and around £50m less excluding disposal profits against £1.09bn. Either way earnings per share will be significantly lower.

Hanson pays its dividends quarterly, and has paid 2.85p for each of the last four payments. Some feel an increase is due, perhaps to 3p a quarter, while others think a rise will not be forthcoming.

The City is anticipating a steady and unspectacular set of figures from GEC, which reports its first six months on Wednesday. The expectation is that the second half of the year will be significantly stronger when a number of large contracts are due for implementation.

Profits before tax are expected to be in the region £350m - £360m, roughly level with or perhaps slightly down on the £356m recorded in the same period last year.

Earnings per share are expected to be about 8.1p, compared with 8p and a five per cent increase in the interim dividend to 2.81p (2.68p) is forecast.

Bass, the UK brewing, hotels and retail group, is expected to report on Wednesday a 5 per cent increase in full year pre-tax profits from £473m to about £495m.

Brewing profits are likely to be hit by margin pressures and bad debt provisions, and pub retailing will feel the effects of disposals. Improvements should come from Holiday Inn in the US and UK leisure operations.

A £175m restructuring charge will reduce Grand Metropolitan's pre-tax profits for the year to about £770m, 16 per cent down on last year's £913m. Thursday's announcement is expected to reveal a brighter picture at the trading level. IDV, the spirits division, should achieve double digit profits growth with some help from currency translation. Another good performance is forecast for Burger King and North American food operations will show some recovery.

Higher losses and £6m to £8m of restructuring costs at the Racal-Redac software subsidiary and other special factors are expected to result in markedly lower pre-tax profits at Racal Electronics, the data communications, radio and network services group, which reports its interims on Thursday.

Pre-tax profit estimates range from about £12m to £16m against £23.1m at the interim stage last year. "Normalised" pre-tax profits are likely to be around £21.7m.

MEPC, the UK's second largest property company, is expected to announce on Thursday pre-tax profits for the year to end September of around £99m, down on the previous £109.6m. Net asset value is estimated to emerge at 440p, down from 465p last time. However, the dividend is expected at least to meet the company's June forecast of 14.75p.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
Prices in pence unless otherwise indicated					
Bassett & Foust ‡	2*	2½	4	2.10	Marlowe
British Syphon ‡	97	95	95	32.80	Graystone
Ferranti Int'l	1*	1	2½	110.00	GEC
Multitone	143*	140	131	21.50	Champion Tech.
P-E Intl. ‡	73	73	95	18.08	Cray Elect
Whitbread Inv Co ‡	764	835	690	492.08	Whitbread

*All cash offer. †Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 26/11/93. §§Shares and cash. ¶Value of bid based on remaining 30% of shares. ◊Value of bid based on remaining 25% of shares. ‡ Net asset Value.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
ABI Leisure	Misc	Aug	2,840	(2,310)	7.0	(5.8)	3.75	(3.75)
Anglo Irish Bank	n/a	Sept	9,250	(8,800)	5.7	(4.36)	3.36	(3.36)
Black & Edgington	BdSr	Jul	20	(2,800 L)	0.01	(-)	-	(-)
Boustead	BdSr	Sept	593	(117)	0.1	(-)	0.35	(0.35)
Capital Radio	Med	Sep	11,700	(8,800)	11.3	(8.7)	5.75	(5.25)
Concentric	Eng	Sep	9,350	(8,250)	12.03	(11.65)	6.66	(6.66)
Coreli	Misc	Aug	252 L	(906 L)	-	(-)	5.375	(10.75)
Crossroads Oil	O&G	Jun	1,020 L	(297)	-	(0.8)	-	(-)
Diploma	Elec	Sep	20,400	(13,300)	24.8	(19.4)	12.0	(9.75)
Direct Line	n/a	Sep	60,200	(15,100)	-	(-)	-	(-)
Dunedin Worldwide	InTr	Oct	5,300	(4,400)	9.66	(9.15)	9.5	(9.5)
Dwyer	Prop	Sep	7,740 L	(7,180 L)	-	(-)	-	(-)
European Leisure	n/a	Jun	221	(54,900 L)	-	(-)	-	(-)
F & C Eurotrust	InTr	Sep	210.4	(181.5)	1.38	(1.47)	1.23	(1.23)
Glasgow Income Trust	InTr	Sept	47.68	(36.05)	2.81	(3.38)	2.75	(3.2)
Goodhead Group	Med	May	17,000 L	(386)	-	(-)	0.05	(0.5)
Henderson Strata Invs	InTr	Oct†	271.0	(186.3)	1.36	(1.45)	1.4	(1.4)
Kenwood Appliances	Elec	Sep	6,360	(5,000)	9.6	(9.2)	3.0	(5.85)
Kwik Save	FdRt	Aug	128,100	(110,900)	52.49	(48.21)	18.3	(16.0)
McLeod Russel	Misc	Sep	5,180	(4,940)	7.54	(7.48)	6.1	(6.0)
Melville Group	C&C	Jun	1,180 L	(15,800 L)	-	(-)	-	(-)
Morland	B&D	Sep	9,120	(7,620)	30.3	(28.1)	9.74	(8.4)
Nesco	Elec	Jun	231	(222)	-	(-)	-	(-)
Office & Elec Machine	Misc	Jun	289♦	(67 L)	-	(-)	0.1♦	(0.1)
Rodime	Elec	Sep♣	2,140 L	(1,880)	-	(0.8)	-	(-)
Scottish National Tst	InTr	Sept	94.9	(2.8)	7.83	(8.74)	7.75	(8.75)
Sherl Group	Text	Jul	2,440	(1,980)	11.3	(9.2)	5.3	(4.4)
Stratagem	OtFn	Aug	1,200	(388)	8.5	(2.7)	4.75	(4.75)
Tate & Lyle	FdMa	Sep	222,500	(180,500)	38.0	(29.3)	13.0	(12.0)
Tomkinson	Text	Oct	1,130	(1,050)	12.2	(10.8)	11.5	(11.5)
TR Property Inv Tst	InTr	Sept	36.2	(25.3)	0.66	(0.5)	0.4	(0.4)
Unigroup	BdMa	Sep♣	4,410	(794 L)	-	(-)	-	(-)
Waterglade	Prop	May	11,700 L	(18,500)	-	(-)	-	(-)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
AAH	H&R	Sep	19,100	(17,500)	6.0	(5.8)
Alba	Elec	Sep	1,630	(1,200)	1.0	(1.0)
Allen	C&C	Sep	1,280	(855)	1.85	(1.85)
Allied Lyons	B&D	Sep♣	306,000	(387,000)	7.3	(6.95)
Amber Industrial	Othr	Sep	2,430	(1,470)	6.0	(5.5)
Applied Holographics	Misc	Sep	60 L	(822 L)	-	(-)
Aviva Petroleum	O&G	Sep†♦	632 L	(615 L)	-	(-)
Babcock Intl	Eng	Sep	9,200 L	(16,600)	-	(1.0)
Black Arrow	Misc	Sep	346	(1,550)	0.5	(1.0)
BPB Industries	BdMa	Sep	44,000	(27,500)	2.8	(2.7)
British Inv Trust	InTr	Sept	219.0	(198.0)	2.0	(1.9)
Caledonia Investment	OtFn	Sep	25,000	(19,300)	5.4	(5.0)
Cater Allen	OtFn	Oct	8.85	(7.25)	8.0	(7.0)
Chester Waterworks	Wtr	Sep	1,070	(1,040)	85.0	(75.0)
Chloride Group	Elec	Sep	1,320	(2,730 L)	-	(-)
City of London PR	Med	Sep	322	(232)	1.27	(1.15)
Cropper (James)	PP&P	Sep	1,140	(595)	1.1	(0.975)
EMAP	Med	Oct	18,600	(14,800)	2.25	(2.075)
F & C Emerg. Mkts.Inv	InTr	Sept	101.7	(81.6)	0.27	(0.25)
Falcon Holdings	n/a	Sep	175	(237)	3.0	(-)
Filofax	PP&P	Sep	1,270	(850)	0.75	(0.5)
Fleming High Inc Inv	InTr	Oct†♦	2.87	(2.99)	1.1	(1.45)
Foster (John)	Aug	Aug	921 L	(1,900 L)	-	(-)
GEI International	Eng	Sep	131	(1,030)	-	(-)
Guardian Media	n/a	Oct	11,500	(14,700)	-	(-)
Hazlewood Foods	FdMa	Oct	23,300	(24,700)	2.4	(2.3)
Havelock	BdMa	Sep	158	(476)	0.5	(0.5)
Hickare	Elec	Sep	45 L	(70 L)	-	(-)
Jurys Hotel	n/a	Oct‡	2,800	(2,160)	2.0	(2.0)
Kewill Systems	Elec	Sep	1,760	(172)	-	(-)
Lowndes Lambert	InSv	Sep	6,200	(4,200)	5.0	(4.5)
Lynx Holdings	Elec	Sep	619	(115)	0.85	(0.75)
Macdonald Martin	B&D	Sep	2,160	(2,690)	2.27	(2.2)
Marston Thompson	B&D	Sep	11,500	(9,600)	1.6	(1.45)
ML Holdings	Eng	Sep	2,109	(1,500)	-	(-)
MMI	Med	Aug	201	(282 L)	-	(-)
National Grid	Elec	Sep	365,300	(281,600)	-	(-)
Northern Foods	FdMa	Sep	72,100	(66,400)	3.6	(3.4)
NSM	C&C	Sep	699	(1,990)	-	(-)
Optometrics	n/a	Sep♦	98	(29)	-	(-)
Osborne & Little	Misc	Sep	947	(602 L)	2.5	(2.0)
Pathgrain	Misc	Sep	398	(69)	0.25	(0.25)
Policy Portfolio	n/a	Sep	429	(370)	1.5	(-)
Powell Duffryn	Tran	Sep	10,300	(10,400)	8.6	(8.6)
Powergen	Elec	Oct	109,000	(98,000)	3.95	(3.35)
Quadramatic	n/a	Sep	1,570	(-)	1.0	(-)
Readicut	Text	Sep	6,720	(8,010)	0.83	(0.83)
Scottish Power	Elec	Sep	115,700	(95,200)	4.13	(3.72)
Shanks & McEwan	Misc	Sep	9,350	(16,000)	2.24	(2.24)
Shires Investment	InTr	Sept♦	296.0	(259.7)	4.2	(4.2)
South Staffs Water	Wtr	Sep	5,800	(5,100)	16.5	(16.0)
South West Water	Wtr	Sep	50,300	(48,900)	8.4	(7.8)
Sterling Industries	Eng	Sep	1,690	(1,050)	1.6	(1.6)
Tex Holdings	Othr	Sep	466	(146 L)	-	(-)
Thorn EMI	H&L	Sep	105,000	(106,200)	9.0	(9.0)
Towles	Text	Aug	694 L	(537 L)	-	(-)
Vodafone	Tel	Sep	174,500	(160,200)	4.12	(3.43)
Wace	PP&P	Sept	11,400	(7,040)	1.0	(-)
Wagon Industrial	Eng	Sep	5,060	(8,520)	6.325	(6.325)
Warnford Investments	Prop	Jun	3,470	(3,670)	2.75	(2.75)
Worthington	Text	Sep	509	(305)	0.6	(0.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ♦ Figures for 18 months. ‡ Figures in Irish pounds & pence. ♣ 15 month figure. § Second interim dividend. ‡ Figures for nine months. § Figures for 28 weeks. ♦ Figures in US dollars and cents. ‡‡ 14 month figures.

RIGHTS ISSUES

Dwyer is to raise £12.3m via a 1 - 1 at 50p rights issue.
Hickare is to raise £1.07m via a 2 - 7 at 38p rights issue.
Jurys Hotel is to raise £7.25m via a rights issue.
Tay Homes is to raise £10.2m via a 1 - 3 at 145p rights issue.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Aberforth Split Lev.Tst.is to raise £51.5m via an offer of 63m C shares at 100p.
Casket is to raise £4.5m via a placing of 13.89m shares at 36p.
Goodhead Group is to raise £5.8m via a placing and offer of 24.2m shares at 25p.
Kitty Little is to raise £2.14m via a placing and offer of 7.13m Shares at 30p
Lynx Holdings is to raise £5.28m via a placing of shares at 38p.
Mismet is to raise £885,000 via a placing and offer of shares at 4p.
Nelson Hurst is to raise £31m via a placing and offer.
Telspec is to raise £5m via a placing.
TLS Range is to raise £2.8m via a placing and offer of 12.5m shares at 24p.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Bass	B&D	Wednesday	5.25	13.65	5.45
Control Techniques	Elec	Monday	2.15	4.7	2.35
Dalkeith	n/a	Monday	-	-	-
Dundee And London Inv. Tst.	InTr	Tuesday	3.8	8.2	3.0
Gartmore Value	InTr	Monday	0.952	-	0.952
Govett Amer	InTr	Thursday	-	-	-
Grand Metropolitan	B&D	Thursday	4.6	7.7	4.85
Hanson	Cong	Thursday	2.75	2.85	2.85
Huntingdon International	H&H	Wednesday	0.87	1.9	0.87
Leeds Group	Text	Thursday	3.5	7.5	2.75
MEPC	Prop	Thursday	5.25	14.75	5.25
Metro Radio Group	Med	Thursday	1.5	3.5	1.5
Royal Bank of Scotland	Bank	Thursday	2.9	6.0	8.0
Royal Trust Gov Sec	n/a	Tuesday	-	-	-
SEP Industrial	Eng	Monday	0.3	0.35	0.35
Tops Estates	Prop	Monday	0.577	1.622	-
Wrexham & East Denb	Wtr	Thursday	42.45	92.45	2.45
Young (H) Holdings	Misc	Tuesday	1.0	2.0	-
INTERIM DIVIDENDS					
Anglian Group	BdMt	Thursday	3.7	6.8	-
Anglo United	Chem	Wednesday	0.2	0.65	-
Argyll Group	FdRt	Wednesday	3.65	7.35	-
Associated Nursing Services	H&H	Wednesday	-	1.0	-
Borthwicks	FdMa	Monday	0.5	0.7	-
Bristol Evening Post	Med	Monday	4.0	7.75	-
British Bio-technology	H&H	Wednesday	-	-	-
Cantab Pharmaceuticals	H&L	Monday	-	-	-
Cape	BdMt	Wednesday	3.0	7.75	-
Castings	M&MF	Thursday	1.3	3.05	-
Dawson International	Text	Tuesday	2.9	6.1	-
Eastern Electricity	Elec	Tuesday	5.5	13.7	-
EFM Income Trust	InTr	Monday	1.2	1.27	-
Explaura Holdings	BdMt	Friday	-	-	-
Field Group	PP&P	Wednesday	-	-	-
Gartmore Value Investments	InTr	Monday	0.952	0.952	-
General Electric Company	Elec	Wednesday	2.68	7.82	-
Gibbons Lyons Group	PP&P	Wednesday	2.0	3.0	-
Globe Micro	n/a	Wednesday	3.0	4.5	-
Harris (Philip)	Othr	Tuesday	2.2	4.65	-
JLI Group	FdMa	Tuesday	1.55	3.1	-
Johnson Matthey	M&MF	Wednesday	3.2	7.1	-
Kalamazoo	Elec	Monday	0.25	1.25	-
Latham (James)	BdMa	Monday	1.5	-	-
Merrydown	B&D	Monday	1.0	6.0	-
Metrotect Industries	Recl	Tuesday	-	-	-
Mid Kent Holdings	Wat	Wednesday	4.75	6.75	-
Monks Investment Trust	InTr	Tuesday	2.0	4.7	-
Mountview Estates	Prop	Wednesday	6.0	12.0	-
Northamber	Elec	Wednesday	-	0.6	-
Philips Harris	Othr	Tuesday	2.2	4.65	-
Racal Electronics	Elec	Thursday	1.5	2.75	-
Rothmans International	Misc	Wednesday	4.0	7.5	-
Scapa Group	Othr	Thursday	1.8	4.05	-
Severn Trent	Wat	Thursday	7.0	14.1	-
Shoelback	Prop	Monday	-	-	-
Shield Diagnostics	H&H	Monday	-	-	-
Tinsley Robor	PP&P	Thursday	-	-	-
Tops Estates	Prop	Monday	0.577	1.622	-
Vosper International Group	Eng	Tuesday	-	-	-
Wech Holdings	n/a	Wednesday	-	-	-
Worth Investment	InTr	Tuesday	-	0.1	-
Yorkshire Water	Wat	Wednesday	7.05	14.2	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ‡‡ = 3rd Quarter figures.

FINANCE AND THE FAMILY

Diary of a Private Investor

Clarke must take axe to bureaucracy

***Kevin Goldstein-Jackson** makes his suggestions for the Budget*

The credit card receipt said "Murder One" followed by a rather large amount. I was preparing for Kenneth Clarke's first Budget on Tuesday.

In history, many national declines can be traced to increases in bureaucracy rather than a growth in occupations actually creating something. It is partly to pay for vast armies of civil servants that Clarke, the chancellor of the exchequer, will be forced in his Budget to find additional ways of raising revenue.

My "Murder One" payment was not for a hit man to help reduce the ranks of Whitehall mandarins but to Murder One bookshop in London's Charing Cross Road for a large number of thrillers. I was stocking up in case Clarke imposes value added tax on books. I have also renewed several magazine subscriptions for two years rather than the usual one in order to escape any VAT that might be imposed on such publications.

My share portfolio is much reduced from last year and I am not adding to it until after the Budget; I want to keep cash available for any new investment opportunities which may arise because of Clarke's proposals. I am certainly not rushing into any last-minute investments based purely on "tax avoidance" promotions: to me, an investment must appear to have reasonable prospects quite apart from tax considerations.

In his previous ministerial positions, Clarke has not been afraid to announce radical changes, so I feel he will put his own considerable mark on the Budget. There could be surprises for everyone.

Not all may be pleasant. For one thing, he is known to view the various anomalies in VAT with some concern. Suppose he reduced it from 17.5 per cent to, say, 16 per cent – but put it on everything.

Discussing VAT on fuel, Clarke has said: "Most other countries do it." Since, unlike Britain, many countries in the European Union do not zero-rate bus fares, food and children's clothing, the same argument could be advanced for imposing VAT on these items in the UK – especially as EC bureaucrats are keen to "harmonise" VAT rates.

Many people travel to the Continent to bring back alcoholic drinks, so depriving the chancellor of UK duties on beers, wines and spirits. VAT on ferry trips might make such expeditions less attractive.

The chancellor has also said that extending VAT to fuel "will encourage real energy conservation and contribute to our targets for reducing carbon dioxide emissions". Somewhat similar arguments could be advanced for taxing bus, aeroplane and ferry travel while zero-rating the railways. This might also make it slightly easier to privatise British Rail.

The chancellor could also announce an end to mortgage interest tax relief, and major alterations to National Insurance contributions.

Such dramatic changes would affect almost every sector of the stock market. But what, as a private investor, do I hope the chancellor will do?

We know he wants to encourage industry. Although business expansion schemes are due to end on December 31, I hope a replacement, with tax advantages, will be announced to encourage investment in new and expanding companies that are genuinely involved in manufacturing. But sharp lawyers and accountants should not be allowed to hijack investments into property or other non-manufacturing activities.

I would also like to see personal equity plans (Peps) abolished in favour of a new scheme to encourage direct investment in companies without the need (and expense) of investing through plan managers.

Everyone should be allowed to invest a certain amount each year (say, £10,000) directly in shares without having to pay tax on any gains from these, or on money made from re-investing the proceeds.

In addition, people should be encouraged to devise their own pension plans. Any money (up to a certain specified level) invested directly in shares for pension purposes would receive the same tax advantages now given to pension and insurance fund managers.

Abolishing stamp duty on share transactions is also long overdue. Again, to encourage a more direct involvement with companies and to deter tax avoidance, stamp duty could be ended on shares bought and registered in the names of individual private investors, although others would still have to pay. This would help to level the playing field between private investors and institutions, which benefit already from lower dealing costs.

Whatever the chancellor's tax-raising plans, I hope they will be accompanied by massive cuts in the size of the civil service – starting with top officials in Whitehall. Britain is dividing rapidly into two sectors: the haves (almost unsackable civil servants with guaranteed, inflation-proof pensions) and the have-nots (almost everyone else whose job security and pension benefits remain in doubt).

I would also like to see a crackdown on the use of nominee names and other methods of disguising the identities of certain UK-based businessmen who make fortunes from share and other transactions but pay little or no tax. If ordinary people are being asked to contribute more, they have a right to expect that everyone shares the tax burden fairly.

Your CGT allowances

The table shows capital gains tax indexation allowances for assets sold in October.

Multiply the original cost of the asset by the figure shown for the month in which you bought it. Subtract the results from the proceeds of your sale and the balance will be your taxable gain or loss.

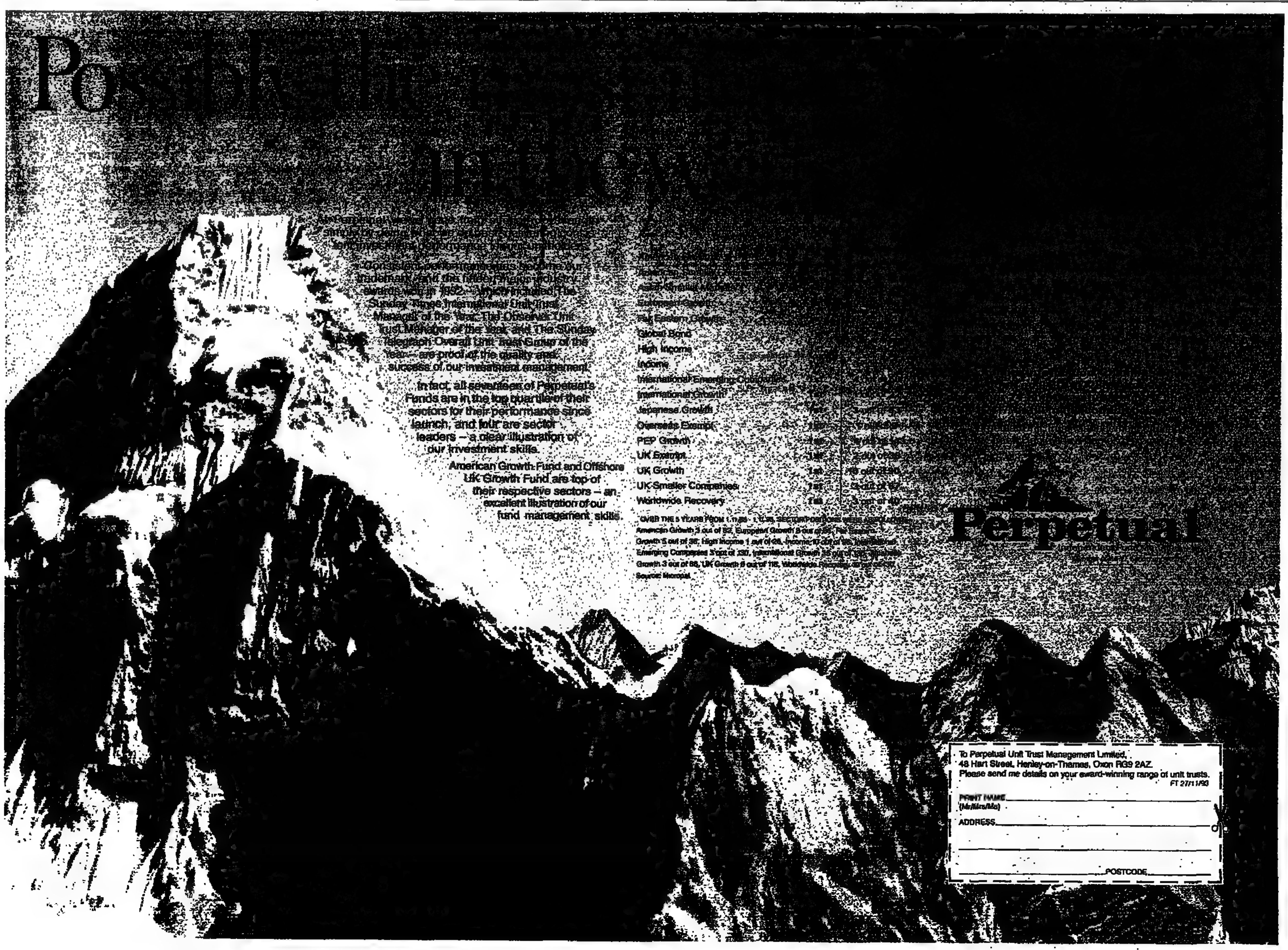
Suppose that you bought shares for £6,000 in July 1986 and sold them in October 1993 for £14,000. Multiplying the original cost by the July 1986 figure of 1.454 gives a total of £8,724. Subtracting that from £14,000 gives a capital gain of £5,276, which is below the 1993-94 CGT allowance of £5,800. If you are selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in October was 141.8.

CGT INDEXATION ALLOWANCES: OCTOBER

Month	1982	1983	1984	1985	1986	1987
January	-	1.716	1.633	1.555	1.473	1.418
February	-	1.709	1.626	1.542	1.466	1.412
March	1.765	1.706	1.621	1.528	1.466	1.410
April	1.750	1.682	1.600	1.496	1.452	1.393
May	1.737	1.675	1.594	1.489	1.449	1.392
June	1.732	1.671	1.590	1.488	1.450	1.392
July	1.732	1.682	1.591	1.489	1.454	1.393
August	1.731	1.665	1.577	1.485	1.450	1.389
September	1.732	1.648	1.574	1.486	1.442	1.385
October	1.724	1.642	1.564	1.483	1.440	1.378
November	1.716	1.636	1.559	1.478	1.428	1.371
December	1.719	1.632	1.560	1.476	1.428	1.373

Month	1988	1989	1990	1991	1992	1993
January	1.373	1.277	1.187	1.089	1.046	1.028
February	1.367	1.266	1.180	1.083	1.040	1.022
March	1.362	1.263	1.168	1.079	1.037	1.016
April	1.340	1.241	1.139	1.066	1.022	1.009
May	1.335	1.235	1.124	1.062	1.018	1.005
June	1.330	1.229	1.119	1.057	1.018	1.006
July	1.329	1.228	1.118	1.060	1.022	1.008
August	1.314	1.225	1.107	1.057	1.021	1.004
September	1.308	1.216	1.097	1.053	1.017	1.000
October	1.295	1.207	1.088	1.050	1.014	
November	1.289	1.197	1.091	1.046	1.015	
December	1.286	1.194	1.092	1.045	1.019	

Source: Inland Revenue



How a lender plumbed the depths

Alison Smith reads the banking ombudsman's latest report and finds some sobering stories

A self-employed plumber, whose bank sold him a loan protection policy without telling him there were restrictions on unemployment cover for people in his category, won almost £700 in compensation after his case was taken up by the banking ombudsman.

In another case, a grandmother opened savings accounts for two boys but they did not get the preferential interest rate advertised. Each account received an extra £852 in interest after the ombudsman intervened.

Publication this week of the annual report from Laurence Shurman, the industry's consumer watchdog, has highlighted the continuing level of complaints against banks, although the increase was not nearly as steep as last year.

Shurman stressed higher standards of conduct were still needed from both banks and customers. He said banks should show more sensitivity, even when they were entirely in the right, and debt counselling should be available more widely.

Shurman urged that those entering the industry should receive specific lessons in banking ethics as part of the training offered by the Chartered Institute of Banking. He also recommended that the revision of the code of banking practice should reflect a European directive on unfair terms in consumer contracts which is due to come into effect in 1995.

The report showed that preliminary complaints rose to 10,231 in the year to the end of September 1993 – a very slight increase on the previous year. But complaints accepted for full investigation rose more sharply – by 18 per cent – to 1,111.

Consumer and customer groups were disappointed that complaints had not fallen despite the introduction of improvements such as the banking practice code. Just under 40 banks are covered by this scheme, under which personal customers and small companies can complain about maladministration involving sums with a maximum of £100,000.

Tony Andrews

Laurence Shurman: wants higher standards from banks and customers

In just over one-third of the cases investigated fully during 1992-93, the ombudsman found for the customer. Most awards were between £100 and £10,000, but there were some striking extremes.

The highest, of £81,700, went to a case involving a property development project where a small company had its overdraft facility withdrawn after it had committed itself. The lowest, of £5, came after a claim for £9,000 was investigated: the ombudsman decided the complainant was entitled to 44p, which was rounded up to take account of interest.

One area where complaints are growing concerns how banks deal with mortgages. Shurman said customers should get clearer information about the exact scope of mortgage protection policies since banks "are not always as keen as they should be to explain the limitations attaching to such policies".

He said a typical problem arose where two people were borrowing jointly against their combined salaries but the second-named borrower did not qualify for the unemployment cover, which applied only to the first borrower.

The report showed, however, that there had been improvements in some areas. There were fewer complaints about cash machines, and from existing customers claiming they had not been told about new savings accounts which offered better rates of interest.

Even so, Shurman made clear that faster progress needed to be made in trying to reduce card fraud through measures such as fitting cash machines with videos and monitoring suspicious patterns of withdrawals. He said also that banks should do more to protect those who were most vulnerable to card fraud, including the very elderly.

While welcoming the fact that complaints had levelled off, Shurman criticised some banks for not publicising the ombudsman scheme enough and for having complaints procedures which were so complex that they put people off.

Taxman yields on relocation

Employees who have been relocated since 1986 got some good news from the Inland Revenue this week, *writes Peter Ashby**. Unless they had sold their old house or flat, the Revenue had been seeking to collect tax on relocation allowances given to them by their employers.

Now, following an announcement on November 23, the Revenue will no longer pursue any individual taxpayers unless they have employers who will pay the tax for them under what are known as tax equalisation, or tax protection, arrangements. Even then, the Revenue will pursue only the employer.

The story started in 1986 when the Revenue insisted that, from that point on, taxpayers had to sell their old homes to benefit from tax-free relocation expenses. Up to then, it had merely required an individual to move house.

Strictly speaking, the expenses have been taxable for many years, but the Revenue had granted tax relief on an extra-statutory concession basis.

The 1986 change was to affect all taxpayers, but the Revenue directed its attention mainly to major employers, who generally pay the tax on behalf of their staff.

The employers and their advisers were not prepared to accept the change and heavy lobbying, led by my firm, paid off with the Revenue's announcement. It has now agreed to reduce the amount it will be collecting from employers as well as the number of people likely to be affected.

The tax bills for employees could have been substantial. It is agreed generally that the new statutory limit (which applied from April 6 1993) of £8,000, above which relocation expenses are taxed, is inadequate.

Therefore, an average employee with a relocation package of £15,000 could have had a tax bill of £6,000 to pay if he had sold his old home. In practice, amounts of £10,000 were commonplace and senior employees could have had bills very much higher.

The present expatriate population in the UK is estimated at 250,000. Obviously, not all of these are eligible for these savings – but many will be.

In addition, many relocations within the UK involve short-term moves. The oil industry, for one, has moved many people to the Aberdeen area of north-east Scotland.

If employees knew they were being transferred temporarily, they would normally expect to return to their own home. Before the revenue's announcement, they would have had to pay tax on their relocation allowances; now, they will not.

As far as paying UK taxes is concerned, staff without employer assistance will benefit only if they have protested and kept their position open. Any taxpayer who accepted the Revenue view, settled its position and paid his tax, probably will be unable to benefit.

There are only two circumstances in which the tax is recoverable:

■ If the assessment of the income which includes the relocation expenses has not been completed for some other reason, the employee can write to his inspector, have it finalised and the tax will be repaid.

■ The matter might technically have been held open if inspector and taxpayer agreed to disagree, while the latter still paid the tax.

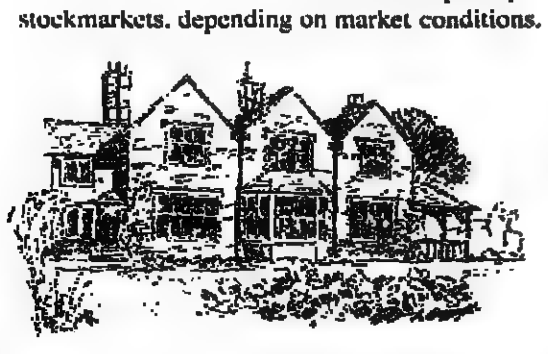
Any repayment will not attract interest as it is being made on a concessionary, not a statutory, basis. But anyone who refused to pay will find his liability is now removed.

**Peter Ashby is expatriate tax partner at Price Waterhouse, and chairman of the tax on relocation lobby group.*

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Ferguson Intl	Pack	70,000	232	1*
Gresham Telecomptg	Elns	30,000	44	1
Highland Distillers	Brew	200,000	830	2*
Meyer International	BdMa	26,038	115	1*
Paion	Elns	245,000	446	3
Reuters	Med	4,138	68	1*
Tadpole Technology	Elns	390,000	1,073	5*
Thorntons	FdRe	25,000	41	1
WPP Group	Med	649,917	785	1
PURCHASES				
Burtonwood Brewery	Brew	79,000	117	1
Crossroads Oil	O&G	100,000	14	1
David Brown Group	n/a	7,170	14	3
English & Scott Wts	InTr	70,000	27	1
Fairey Group	Elns	1,500	10	1
Fairhaven Intl	O&G	50,000	12	1
Finsbury Underwritg	LRi	411,600	412	4
Gartmore	LRi	2,037,201	3,422	16
Hambro Ins Services	OthF	20,000	32	2
Helical Bar	Prop	18,000	47	1
Norcros	Othi	7,000	11	1
N Atlantic Small Co	InTr	20,000	82	1
Sherwood Computer	BuSe	55,574	99	1

Value expressed in £000s.
This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value above £10,000.
Information released by the Stock Exchange 15-19 November1993.
Source: Directus Ltd, The Inside Track, Edinburgh



Unit trusts / Pembroke

No shocks, please, we're careful

Pembroke does not rank alongside the better known names of the unit trust industry, such as M&G or Fidelity, but it is the second highest-performing fund in the UK Equity Growth sector in the five and three years to November 1 (offer to bid, net income re-invested, Source: Micropal).

The fund was established in December 1986 as a joint venture between John Carrington & Co., a London-based independent fund management company established in 1970, and a Cardiff stockbroker. Carrington took over total ownership in December 1988.

Once it acquired a five-year track record, Pembroke caught the eye of independent financial advisers, who recommended it to clients. As a result, it has grown from £5m last year to just under £14m at end-October. The price is still only weekly but there are plans to go daily in the new year. Also, the name is to be changed soon to Pembroke Growth following the recent acquisition by Carrington of two Brown Shipley unit trusts.

Pembroke is managed by a trio: John Carrington, a former financial journalist with *The Times*; George Luckraft, who joined the company in 1980 from university; and Nigel Thomas, formerly an accountant with Robson Rhodes and one-time manager of Hill Samuel's Smaller Companies fund.

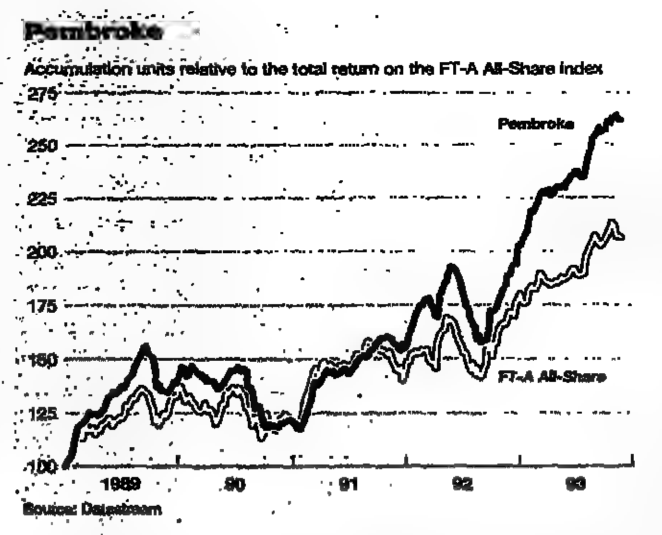
The team's strategy relies heavily on stock selection and Thomas, as investment manager, has veto power over selection. "We look for value in terms of cash flow per share, dividend cover, yield, earnings growth, and the growth relative to the price/earnings ratio," he says. "If we don't find it in the FT-SE stocks, then we look elsewhere."

He cites Sirdar, one of the top 10 holdings, as a classic example of looking for value in a declining industry. Sirdar, which deals in textiles and hand-knitting yarns, was bought on a 9 per cent dividend yield. Boosted by new management, the company has increased its dividend while the shares are yielding 5 per cent.

Thomas adds: "We are, hopefully, picking the best of the Footsie like Cable & Wireless, De La Rue and Wolseley, and then giving it a good blend of medium and smaller size companies that are growing irrespective of the economy." His aim is companies growing by 10-20 per cent a year.

About 58 per cent of the fund is split evenly between large and medium sized companies. Four per cent is in cash and the rest in smaller companies.

"We're not a slave to sectoral weightings," says Thomas. "If we don't like oil companies, which are 9 per cent of the All Share, we don't have them." The team has a predilection for companies "which make things or sell things" so that it tends to ignore oil, some financials and property.



There are certainly no financial or property companies in the fund's top five holdings: Electronic Data Processing, a Sheffield-based computer software and services group; Mayborn Group, which makes fabric dyes, baby products and florists' sundries; Cable & Wireless; Filofax, the personal organiser company; and Next, the fashion retailer. EDP, the largest holding, accounts for 2.4 per cent of the fund but holdings usually are limited to 2 per cent.

The team finds smaller companies through its network of specialist small company brokers and its own experience. Luckraft and Thomas both have small children and noticed that many of the products they bought for them came from Mayborn – which is now the fund's second-largest holding.

Luckraft says Pembroke's performance has resulted from avoiding disasters – largely, by taking the view that, where smaller companies are concerned, investing is like lending money to the management. With three people involved, the team also has the time to meet the managements of the fund's smaller companies. "We operate a management ban list and we will not touch some managements wherever they turn up," he says.

Thomas adds that performance is aided by a readiness to sell stocks which are not performing as well as expected. "If something makes a loss for a good reason, it's worth keeping. But, in the main, if we've made the wrong decision, we cut them ruthlessly," he says.

Selling out can mean losing out, and the team says there are many times when it has come to regret disposing of a stock too soon. One such was Rhino Group, a computer and video games retailer, which was sold at half the present share price.

At the moment, Thomas does not see much value in stocks on the FT-SE, which has many companies exposed to international earnings. "There's some risks on international earners, especially in Europe, so we try to avoid those."

Pembroke's performance has slipped in the year to November, where it is in the second decile (18th of 144). The team attributes this partly to its dislike of non-manufacturing companies – it tends to steer clear of property companies and other recovery and cyclical stocks, which have performed well recently.

"We've missed out on the property sector and we don't like contractors, either," says Luckraft. "One wrong contract and the business is out of the window. We don't like nasty shocks."

■ **Charges:** The initial charge is 5 per cent and the annual management fee 1 per cent. The bid/offer spread is about 5.7 per cent. Minimum lump sum investment is £500 and there is a monthly savings plan of £35. Holdings can be put into a personal equity plan without cost.

Scheherazade Daneshkhu

■ *This is the last article in the series.*

A matter of choice

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

My wife and I own our house in equal shares as tenants-in-common. To reduce inheritance tax, we intend to leave our half shares to our son. But would it not be wiser to leave him 9/10ths of our half share so that the survivor with 11/20ths would have full control over the property?

■ An individual who owns a share of property as tenant-in-common is able to leave the whole or part of his share in the property to whoever he wishes. It is possible, therefore, that you could in your will leave 9/10ths of your share to your son and 1/10th to your spouse. Your spouse would then have an 11/20ths share in the property, but this does not mean that she would have "full control" of it.

Both your son and widow, as tenants-in-common, have an undivided share in the whole property, which means that the person with the smaller interest can still enjoy the whole of the property.

Reply by Barry Stillerman of accountant Stoy Hayward.

Transferring a holding

I intend to transfer to my son part of my holding of SPLIT (Save & Prosper Linked IT) capital shares, the price of which is substantially above that at which I bought them. To save market-makers' spread (substantial in this case) and broker's commission, I wish to execute a direct transfer form which my son can then register directly with S&P. Am I correct in assuming that:

1. My son will have to send the completed form and pay ½ per cent of the market value to the Stamp Duty Office before he can register the transfer with S&P.

2. This market value will be based on stock exchange closing price (as stated in the FT Cityline) on the day of the transfer.

3. A simple written letter from me to my son, signed by us both, will be sufficient evidence of this transaction andacceptable to the Inland Revenue for CGT purposes.

Alternatively, I might wish to transfer these shares to my son as a gift, for no consideration. In this case, would the transfer be exempt from stamp duty?

Also, would I have the choice of either effecting the transfer at present market price, accepting the CGT liability myself, or postponing liability (as in the case of transfer between husband and wife) until my son disposes of the shares?

■ If you sell the shares to your son, the stamp duty will be based upon whatever price he actually pays you - as shown on the transfer form. If you give them to him, no stamp duty will be payable (provided that you complete the stamp duty exemption certificates on the back of the transfer form).

For CGT purposes, it makes no difference whether you sell the shares to your son or give them to him: you and he will be treated as though you had sold them to him at their market value (on the quarter-up basis) on the day of the sale contract or gift, as the case might be. Ask your tax office for the free pamphlet CGT14 (Capital gains tax: an introduction).

The CGT rules for transfers between husband and wife do not apply to any other transactions.

CGT pool for shares

I understand that when shares are added to an existing holding, the base cost of the total holding (old and new) has to be used in any capital gains work - and there is not a "last in, first out" arrangement for subsequent sales. If, however, one holding is personal and the additional one is in a nominee name, how are the above rules applied?

■ Shares in your own name, and those in the name of a nominee, are pooled for CGT purposes without regard to the difference in registration. This follows from sections 60(1) and 107(1&2) of the Taxation of Chargeable Gains Act 1992:

60(1) "In relation to assets held by a person as nominee for another person ... this Act shall apply as if the property were vested in ... the person ... for whom he is the nominee ..."

107(1) "Where a person disposes of securities, the securities disposed-of shall be identified in accordance with the provisions of this section with securities of the same class acquired by him which could be comprised in that disposal."

(2) "This section applies notwithstanding that securities disposed of are otherwise identified by the disposal or by a transfer or delivery giving effect to it ..."

Ask your tax office for the free pamphlet CGT13 (The indexation allowance for quoted shares).

Deal that turned sour

To Iain Armstrong, it sounded like a good deal: a 50 per cent return in one year, *writes Scheherazade Daneshkhu*. But the biology teacher now seems to have lost the £5,000 he invested in a scheme from a man he says he believed was acting as an agent of City Financial Partners, even though the agreement was on unheaded paper and referred to the contract as a private transaction.

Eighteen months later, the money has not been repaid, the man – Alistair Fairweather – cannot be contacted and City Financial says the deal was a private agreement between two people which has nothing to do with the company.

Armstrong's predicament serves as a cautionary tale to others offered returns that seem too good to be true.

He was, naturally, interested when he received a call from Fairweather, his financial adviser of four years' standing, to tell him of an exciting investment opportunity. "He talked at length about unsecured loans and how they command very high interest rates.

Armstrong ... a cautionary tale

He also talked about the success of his business and his plans to expand it," said Armstrong.

The agreement was that Armstrong would pay Fairweather £5,000 and that the latter would repay him £7,500 one year later. Alarm bells should have been set off in Armstrong's mind at the high rate of interest but the signed agreement also referred to the loan as an "investment in his [Fairweather's] business expansion." Armstrong said: "When you go to a financial adviser, they say they are a member of Lautro and are backed by this and that. I thought he was acting in his capacity as financial adviser at the company and that the company would eventually back him up."

City Financial has terminated Fairweather's contract as a result of the debt but says that, since the contract was a private one, Fairweather was not acting on its behalf. Lautro, the self-regulatory body for the insurance industry, is investigating the case.

The conduct of appointed representatives – self-employed salesmen selling the products of a single life office – in the life insurance industry has been the main focus of efforts by Lautro to curb sales of unsuitable products to investors.

The issue of the degree to which a Lautro member is responsible for the actions of its agents was highlighted a year ago when Guardian Royal Exchange was fined £100,000 by Lautro for failing to monitor adequately two of its appointed representatives.

FINANCE AND THE FAMILY

Rush is on for the BES

Scheherazade Daneshkhu reports on the latest issues

Many sponsors and companies involved in business expansion schemes are urging people to invest before Tuesday's Budget because of speculation that chancellor Kenneth Clarke might decide to axe the BES immediately instead of December 31, as announced previously. But while it is in their interests to urge swift action, investors should make sure they get financial advice before acting; otherwise, they could find themselves regretting any hasty action.

Budget fever has led some sponsors to increase their exit prices. The Allenbridge group, a leading BES analyst, says this should help keep up the price of new issues.

Accumulus Froebel, a cash-backed, arranged exit scheme sponsored by Terrace Hill Capital, has raised its exit price from 120p to 124p after five years for every 100p invested. Terrace Hill says the return to a higher-rate taxpayer will increase from 14.1 per cent to 14.8 per cent a year as a result. The issue is almost fully subscribed. Neill Clerk, sponsor to St Anne's Residences, has also raised its exit price from 130p to 122p.

However, sponsor Hodgson Martin which has launched St Andrews' Residences for the Scottish university, has dropped its exit price by 1p to 122p. The net return should be 14.3 per cent a year to a higher-rate taxpayer. Minimum investment is £2,000.

Downing Corporate Finance, which saw its Chiltern housing programme over-subscribed, has now launched a second issue. It aims to raise up to £5m for the housing association to provide homes at affordable rent to low income families. The exit price of 124p equates to 14 per cent for a higher-rate taxpayer (the calculation of BES rates of return depend on a number of factors, such as when tax relief can be claimed). The scheme, fully cash-backed with a minimum investment of £2,000, is described by the British Taxpayers' Association, a tax consultant, as "a top of the market, cash-backed, contracted exit for a worthy cause."

The Tenth Johnson Fry Cash-Backed scheme aims to raise £5m for Nottingham Trent University. The contracted exit price is 121p, equating to 13.7 per cent for a higher-rate taxpayer. The buy-back obligation is being secured by a certificate of deposit. Minimum investment is £3,000.

Meanwhile, the £30m BES launched early this month by Nationwide building society and Merrill Lynch, the investment bank, has become fully subscribed. But another £30m is being raised to buy properties repossessed by Nationwide to be let on assured tenancies. The terms of the scheme are almost identical to the previous issue. Investors can choose a fixed return of 121p after five years for every 100p invested, equating to a compound annual return of 14.3 per cent for a higher-rate taxpayer.

Alternatively, they can have a 60p minimum return plus 1.2p for every 1 per cent rise in the FT-SE 100. The return will be calculated from the level on the start date to the highest closing level during the five years, thereby locking-in the highest point. The index would have to rise by 51 per cent in order to beat the fixed return. Both returns are backed by certificates of deposit. Minimum investment is £2,000.

Terrace Hill Capital and Neill Clerk are sponsors to South Eastern Recovery IV, a "predator" BES which does not have a secured exit route but aims to profit from the still-depressed residential property market by buying now, letting to private tenants for five years, and then selling in the hope of a handsome profit. Minimum investment is £1,000.

Pavilions of Splendour is an estate agency specialising in unusual buildings. Its managing director, Marianne Watson-Smyth, is a former secretary of Save Britain's Heritage. It aims to raise £250,000 through the BES to market and sell Grade I or Grade II properties. Minimum investment is £1,000.

Permanent interest-bearing shares

Prices of Pibs have not changed greatly since the FT last published the table on October 23, *writes Scheherazade Daneshkhu*. Simon Mozley, of Hoare Govett, attributes the market's relative lack of activity to investors awaiting the Budget.

Pibs are fixed interest-paying instruments issued by building societies and income usually is paid twice a year. They offer higher yields than gilts because of their higher risk: societies are less secure than the government. Gains from Pibs are exempt from capital gains tax unless they are bought in a fund.

Mozley believes this week's base rate cut will have a beneficial effect on Pibs: "The prospects for greater profitability by societies was enhanced by the recent cut in interest rates. Not only should this provide an incentive to the housing market but it will also allow societies to manage their interest margins to a greater extent. This should be good news for Pibs investors as performances improve."

On balance, the higher the Pibs' yield, the riskier the society is deemed to be by the market. Thus, both Halifax building society issues have the lowest yield in the table. But since these are in denominations of £50,000, few private investors are likely to be attracted to them. Mozley believes that "both First National and Bristol & West have underperformed the market and there is scope for further improvements here."

PERMANENT INTEREST BEARING SHARES

Stock	Coupon (gross %)	Minimum (£)	Issue date	Issue price (pence)	Price* (pence)	Yield* (gross, %)
Bradford & Bingley	13.00	10,000	30/9/91	100.20	141.75	9.17
Bradford & Bingley	11.63	10,000	29/6/92	100.13	127.75	9.10
Bristol & West	13.38	1,000	11/12/91	101.79	136.50	9.80
Bristol & West	13.38	1,000	31/10/91	100.34	136.50	9.80
Britannia (1st)	13.00	1,000	13/1/92	100.42	136.50	9.52
Britannia (2nd)	13.00	1,000	8/10/92	107.13	136.50	9.52
Cheltenham & Gloucs	11.75	50,000	21/10/92	100.96	128.25	9.16
Coventry**	12.13	1,000	28/5/92	100.75	128.50	9.44
First National	11.75	10,000	4/5/93	100.25	114.75	10.24
Halifax	12.00	50,000	23/1/92	100.28	135.25	8.87
Halifax	8.75	50,000	7/9/93	100.62	102.00	8.58
Leeds Permanent	13.63	50,000	3/6/91	100.00	150.00	9.08
Leeds & Holbeck	13.38	1,000	31/3/92	100.23	138.00	9.69
Newcastle	12.63	1,000	8/9/92	100.45	133.50	9.46
Newcastle	10.75	1,000	15/6/93	100.32	114.00	9.43
North of England	12.63	1,000	23/6/92	100.14	131.50	9.60
Skipton	12.88	1,000	27/2/92	100.48	132.00	9.75

*Source: Hoare Govett. *Purchase price as at mid-day November 25; excludes accrued interest. **Includes stamp duty payable on Coventry pibs only*

FINANCE AND THE FAMILY

Put your trust in benchmarks

***John Cuthbert** on a system that makes it easier for investors to choose between funds*

One common complaint about unit trusts is that there are too many. They may be classified by sector and some funds have specialist labels but, these things aside, trusts look very much alike.

Detailed fund biographies and some definitive standard for judging performance would help investors to choose. But the only information available at present is a fund's total return record. No wonder unit trust investment can be hit or miss.

The same cause for concern could once be heard in the United States. In the past 10 years, though, investors there have had access to a system called benchmark adjustment that provides more information about a fund's characteristics and allows people to assess the top funds from information based on more than just a total return figure.

The system incorporates an easy-to-understand dual standard. The first is the concept of risk-adjusted performance. There are two answers to the question: how well has fund X performed? One has to do with risk, the other with return. This is a point of basic importance in evaluating performance because there is an important relationship between risk and return. The riskier the investment, the higher the return has to be.

UK Equity Income Sector

Fund name	Total return %	Benchmark %	BM ratio	Yield	Risk relative to sector	Risk description	Risk/return
Newton Income							
1991	17.88	-8.15					
1992	5.01	4.87					
1993	32.17	5.81					
Total	54.91		1.09	3.50	0.72	LOW	0.46
Jup Merlin Inc							
1991	19.84	-4.17					
1992	7.48	7.05					
1993	42.95	18.58					
Total	70.05		1.39	4.62	1.00	AVERAGE	0.42
Acuma UK Eq Inc							
1991	29.18	5.37					
1992	-2.04	-2.45					
1993	34.89	8.53					
Total	62.08		1.23	3.17	1.02	AVERAGE	0.37
M Gren UK Eq Inc							
1991	18.06	-8.15					
1992	0.10	-0.31					
1993	42.22	15.88					
Total	60.38		1.19	3.73	1.03	AVERAGE	0.35
Eag St UK Hi Inc							
1991	26.49	2.68					
1992	1.30	-0.89					
1993	31.47	5.11					
Total	59.26		1.17	5.75	1.04	AVERAGE	0.34
Credit Suisse Inc							
1991	25.46	1.64					
1992	3.26	2.86					
1993	32.12	5.70					
Total	60.83		1.20	3.83	1.10	ABOVE AVE	0.33
Sun All Eq Inc							
1991	23.92	0.09					
1992	0.89	0.48					
1993	32.83	5.47					
Total	57.65		1.14	[illegible]	1.08	ABOVE AVE	0.33

KEY: Years are September-to-September. The benchmark column is calculated by comparing the fund's return with the total return of the FT-A All-Share Index. Yield is that prevailing at the end of September. (Source:HSW) Risk is based on each fund's standard deviation, divided by the sector's standard deviation of 4.84. The risk/reward ratio is each fund's average monthly return divided by its standard deviation.

A benchmark approach adjusts a fund's total return to take account of risk. This is because it is all too easy for a manager to achieve ever-higher returns by simply taking increasingly risky bets. On a risk-adjusted view, good fund managers are those who have a high return relative to risk and not a high return alone.

The second standard uses a benchmark to judge the size and consistency of the manager's performance.

The basic notion behind benchmark comparison recognises that most funds have an "active" approach to management. In simple terms, active managers aim to provide a higher return than an investor could get on his own.

Whether a manager has been successful in this can be determined by comparing the fund's return with a benchmark that has no managerial decisions at all. Fortunately, everyday indicies such as the FT-A All Share are highly suited to this role.

Benchmark comparison is the first stage in a process of sorting managerial wheat from the chaff. Funds that can beat their benchmark consistently provide an identifiable body of above-average funds for further screening. My studies reveal that only 24 per cent of trusts have beaten their benchmarks more often than not over the past three years.

The next stage in the screening process employs what we have discovered about risk and return. Some managers could simply beat their benchmark because they take risky bets. So, by calculating a number that represents a fund's risk, and then dividing this into its total return figure, a further number expressing the fund's risk/return trade-off can be obtained.

If this trade-off is better than the benchmark (ie, higher return and lower risk), then this constitutes further evidence of managerial ability. Only 15 per cent or so of managers fall into this category.

The size of the risk/return trade-off figure is crucial because it reveals something further about managerial ability. Sometimes, this figure is so large that, when taken with the fund's record of beating the benchmark consistently it is an overwhelming indicator of top-notch managerial skill. Only 4 to 5 per cent of unit trusts (around 80 funds in all) come into this category.

As it happens, the UK equity income sector provides the perfect example of benchmark adjustment at work. The following example is purely a quantitative description of recent history; it is not a complete study of this sector and, therefore, is not foolproof.

The table shows the total return and benchmark records of the seven top funds in a sector of 111. These funds have been ranked in declining order of the most important indicator for this sector - the risk/return figure. (Note that the relative importance of different indicators varies between sectors). These rankings are based on three years of total returns, the minimum period necessary.

The total return column records the year-on-year return (figures are based on September to September) for each of three years, and the total for the three-year period. Year-on-year total returns are a far more reliable basis for evaluation than cumulative periods because they provide a chance to see how the success of the manager's strategy has varied over time.

This is of great importance because UK equities recorded heavy losses in two of the past five years, and then made up most of the ground in just one. A cumulative figure hides this detail.

The next column – benchmark return – exposes the amount by which funds out or underperformed the All Share in each period. The figure, under the heading BM ratio, summarises these statistics. Acuma's BM ratio of 1.23, for instance, shows the fund beat the All Share by 23 per cent over the three years.

The risk column reveals by what percentage the fund is riskier than the sector average. Newton Income's figure is 0.72, or 72 per cent of the average, which is low.

These tables record far more information about these magnificent seven than could be gleamed from cumulative total return figures alone. Newton Income, for example, has a total return over one year which places it 91st in its sector – but it is the top fund on a risk/return basis in the survey.

Most of these funds look good on a total return basis over three years, but this survey has also deliberately excluded some high total returners on risk grounds. Take Perpetual Income. Its total return places it third in the sector over three years, but its risk (1.25, high) knocks it out of the top seven.

All these funds have been selected because they share common virtues: high risk/return trade offs (the sector average is 0.28 and the figure for the All Share is 0.31); benchmark outperformances over three years; and the most consistent total and benchmark returns. But although these funds have these things in common, they display them in different degrees.

This is important because it would be wrong to read these rankings as a strict hierarchy; Newton Income should not necessarily be preferred to all the others. Instead, funds must be appreciated for their differences.

Newton Income has very low risk because it holds bonds as well as equities. This gives the fund defensive qualities in falling markets but means that it might not produce the highest returns in a rising market. This fact is reflected in its low three-year benchmark score of 1.09.

The high benchmark return consistency of Credit Suisse, Eagle Star and Sun Alliance - all three have beaten the All Share in the three years we studied - also indicates funds with defensive qualities. While 1992 was a poor year for equity income funds (the average fund lost 5.85 per cent), these three funds all made money. But 1993 has been a boom year (the sector average return is 34.36 per cent) which these funds have missed to some degree. So, with defensive funds, you end up with less of the downside – but less of the upside, too.

On the other hand, you might prefer a fund which offers the chance of a little more gain on the upside. Morgan Grenfell and Jupiter Merlin come into this group. In both cases, the 1993 return is way above the sector average, a fact which is reflected in the size of the 1993 benchmark return. But, whatever your preference, the point about a benchmark approach is that it allows you to decide for yourself.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Teachers' BS	Bullion Share	0800 378669	Instant	£500	6.40%	½Yly
Buckinghamshire BS	Chiltern Gold	0494 873064	Postal	£2,500	6.55%	½Yly
Birmingham Midshires BS	First Class	0902 645700	Postal	£10,000	6.80%	Yly
Bristol & West BS	Balmoral	0800 100117	Postal	£50,000	7.10%	Yly
NOTICE A/cs and BONDS						
Teachers' BS	Minster 90	0800 378669	90 Day	£1,000	6.50%	Yly
Greenwich BS	Capital Shares	081 858 8212	30 Day	£10,000	7.10%	Yly
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	8.10%	Yly
Bristol & West BS	Premier Option Bd	0272 294271	6 Mth *	£5,000	6.85%	½Yly
MONTHLY INTEREST						
Birmingham Midshires BS	First Class	0902 645700	Postal	£500	5.80%	Mly
Bristol & West BS	Balmoral Monthly	0800 100117	30 Day	£10,000	6.55%	Mly
Woolwich BS	Investment Bond	0800 400900	90 Day	£25,000	7.25%	Mly
West Bromwich BS	180 Day	021 525 7070	180 Day	£50,000	7.81%	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
Progressive BS		0232 244926	5 Year	£1	7.75%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.00%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.60%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.68%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investmt	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	7.60%	Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.8.94	£5,000	6.70%E	Yly
GUARANTEED INCOME BONDS (Net)						
Alico FN		081 680 7153	1 Year	£50,000	4.45%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	4.75%	Yly
Prosperity Life FN		0800 521546	3 Year	£25,000	5.23%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.65%	Yly
Liberty Life FN		081 440 8210	5 Year	£5,000	6.00%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%G	Yly
	Income Bonds		3 Month	£2,000	7.00%H	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. E = Rate guaranteed until 1.12.93. G = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. I = 6.74 per cent on balances of £20,000 and over. * = After 6 month qualifying period.
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

GA reforms endowments

The life insurance industry is starting to respond to criticism of the poor value received by customers who surrender their endowment policies in the early years. General Accident Life is introducing a new endowment policy which guarantees that the surrender value in the early years will be equal to all the premiums paid. There are some conditions, however.

The guaranteed payout applies only in cases of financial hardship – for example, if the borrower defaults because of redundancy, marital breakdown or sickness. And the company will pay only the surrender value to the mortgage lender. But at least borrowers will owe less than they might otherwise have done.

While this change is undoubtedly an improvement, it deals with only part of the problem of the inflexibility of endowments. Many people who are not in financial hardship may want to surrender their policies because of a change in their circumstances.

The good news is that the GA policy will also offer enhanced values to those who surrender for any reason in the first few years. It estimates, for example, that payouts for those who surrender after year three will improve by 60 per cent.

GA Life will achieve this change by spreading the costs of setting up the policy over five years instead of the first two, as was the case previously. As a result, intermediaries who recommend the product will be paid on a "level commission" basis through the life of the policy, rather than receiving most of it upfront as is usually the case.

This obviously creates a cash-flow problem for financial advisers. Some believe that when, under proposed new disclosure rules, they have to reveal the amount of commission they receive, consumer pressure will force the industry to move to a level commission basis.

GA Life will continue to offer its old-style endowment policy, which pays commission upfront, alongside the new version. In its press release, the company says it "anticipates that IFAs [independent financial advisers] will make the decision based on the right product for the individual circumstances of the client."

The whole issue brings us back, however, to one of the basic problems of the commission system. The new policy will result in the same terminal payout as the old; indeed, the only difference for the policyholder will be the enhanced value in the early years.

Thus, it is hard to imagine any circumstances when it would be in the best interest of the client to have the old policy; the best interests of the adviser are another matter.

If all products were sold on a level commission basis, these conflicts of interest would not occur. But while the systems run in tandem, there are likely to be problems.

Nevertheless, any attempts by the life industry to reform itself must be welcomed. Present regulatory plans, which will involve customers being given full details of surrender values as well as commission payments, ought to mean that those consumers who do want endowment policies will be buying with their eyes open.

Philip Coggan

As They Say in Europe / James Morgan

Italy's messy road to liberation

ANALYSIS of the Italian political scene no longer consists of "Porn star in poll victory shock." The shocks of last Sunday's vote demand greater skills than that; but not much more in my case, for I believe it was all the fault of the Americans. More of that later.

There was some cogent analysis among top Italian commentators, notably Norberto Bobbio in the Turin daily, *La Stampa*. He noted, pessimistically, in his pre-election forecasts that tradition was unpromising: "The history of united Italy is constituted by a succession, not of governments and oppositions which have alternated, but of regimes whose successor has made a *tabula rasa* of its predecessor."

Each regime had wiped out what the former government had done and, since the second world war, there had been a single government – one of the centre. Today, though, there no longer was a centre.

Perhaps, Bobbio concluded hopefully, Italy would now join "the main highway of great democracies." There would be a left and a right and both would be dragged towards the middle. This image of a vacuum where the centre parties used to be, and which would suck others into it, dominates the minds of Italians. The Vatican's *Osservatore Romano* alone was agnostic: "The centre represents purely and simply a point of convergence of the extremes."

The Italian desire to impose physical laws on its failed system was not shared elsewhere. In the *Frankfurter Allgemeine Zeitung*, our old friend Johann-Georg Reissmüller decided that "government standstill could follow bad government." But what upset him, as a man of the right, was the prospect of a communist revival.

He said that although the Communist party had not benefited from Italian corruption, it had received Soviet subsidies and its leaders had climbed the political ladder when the party was still loyal to Moscow. "How can it be that broad strata could expect the political and moral regeneration of the state from such people?"

Why not? The political and moral regeneration of Germany after 1945 occurred with the active participation of many who were infinitely nastier than anything the Italian Communist party might produce.

In fact, the post-communist Party of the Democratic Left in Italy, which rejected the tutelage of the USSR long before its opponents rejected the embrace of organised crime, has a fair claim to join in any programme of political reconstruction. It has, after all, a good record in local government, partly *because* it could not participate fully in the system of bribes and kickbacks that is responsible for the present crisis.

Anyway, Italy is not the only place where there is a revival of communists without any revival of communism. The implacable realities of post-communism have led to people looking again to representatives of a discredited system in those countries where a communist party has exercised power. It is not necessarily a worrying trend; almost everywhere, top former communists have done too well out of capitalism to start thinking about wrecking it.

The success of the MSI is not part of what might seem to be a parallel phenomenon – the revival of fascism in countries with a communist past. The MSI got a lot of votes partly because it was not anything else. But here we come to the nub of problem: Sunday's vote was, in fact, an anachronistic revolt against history.

Some months ago, I wrote that Italians do not blame outsiders for their problems. I was wrong, for those with long memories do. Perhaps one of the reasons for the success of the neo-fascist MSI was that it, too, was not only outside the corrupt network of organised crime and political cronyism but it also has anti-Mafia credentials.

The predecessors of both the communists and the MSI, obviously, were targets of American hostility. In 1943, Washington made a deal with the Sicilian gangster, Lucky Luciano, to facilitate the Allied landings in Sicily, and the Mafia regained its position – as part of the coalition against Mussolini who had almost wiped it out.

It prospered in that odd triangle of power constituted by the Christian Democrats, Washington and the Catholic church. Each had its own reason for tolerating the Mafia. Neither the Communist party nor the MSI played any part in the evolution of the system which the Americans brought into being in 1944 when the Allies entered Rome. So, while the other pillars of the system collapse, the Mafia will, perhaps, be put back into the bottle from which Washington released it.

In Sicily itself, 75 percent of the electorate voted against the Mafia. Curious, is it not? Washington's one-time partner in Sicily faces popular rejection while its enemies on the mainland have triumphed over its cold war friends. As Bobbio said, any change in Italy wipes out the immediate past.

■ *James Morgan is economics correspondent of the BBC World Service.*

Tony Andrews

What animals hate: Rufus Stone, with his dog Oaca, and a container of Curb, his secret formula for repelling animals

A repelling secret

Clive Fewins meets Rufus Stone, soldier, sailor, policeman, engineer, surveyor, salesman and potion mixer

Rufus Stone is unlikely to forget the day he received an early-morning phone call from a tea planter in Assam. Wild elephants were using the timbers supporting his main tea-grading shed as scratching posts. One building had already collapsed and his staff feared for their lives.

The caller had heard of a magic potion called Curb that would repel the intruders if sprayed on the buildings. Could Rufus send some some urgently? The carefully-contrived cocktail was urgently despatched, and proved effective. The elephants went.

Stone's company, Sphere Laboratories (London), has dealt with tigers in Malaysia, gerbils in Israeli desert settlements, pigeons in Trafalgar Square, moles in parks and sports grounds, and, recently, football pitch invasions for Tottenham Hotspur and Queens Park Rangers. Both clubs' newly-laid turf were being damaged by birds.

Lt Colonel Rufus Stone RE has done many things. He was born 81 years ago on a farm in mid-Devon and has worked as a seaman, an inspector in the Metropolitan Police and a regular soldier. During the war he worked on the Mulberry Harbour off the coast of Normandy during and after the D-Day landings in 1944.

He has no formal training but has worked as an agricultural feedstuff salesman, an engineering designer, a consulting engineer and a surveyor. From 1959-63 he worked for the Cyanamid Corporation as UK general manager and then as European director of the agricultural, foodstuffs and veterinary division.

Soon after he was made redundant by Cyanamid at 51, a chance meeting in a London pub led to a request for him to tackle the problem of horses chewing the woodwork in their stables at a racing stud.

"I had always been passionately fond of animals, but from my experience in the veterinary and agro-pharmaceutical field I had also developed a pretty good idea of what substances they found repellant," said Stone, who runs the one-man business from his 16th-century cottage in the village of Chilton on the Berkshire Downs.

"I did a bit of ringing round and experimented with a substance I concocted, based on aluminium ammonium sulphate. It was a powder mixed with water that I painted on the looseboxes. After a bit of experimentation I managed to find a formalation that worked.

"I had a hunch that I was on to something big, so in 1967 I took out patents, and registered the main product under the name Curb.

"Then, without doing any formal marketing – all I did was some phoning round – I managed to interest a host of important people in the agricultural and horticultural world. Some people in the field of domestic animal repellants heard about Curb and were attracted by the powder form.

"I soon realised that Curb would stop pigs from tailbiting, birds from pecking crops, dogs from fouling footpaths and rats from jumping on poultry and killing their victims."

Soon he was selling Curb to seed companies, local authorities, government departments, and export agents.

"All sorts of big companies buy it from me and sell it under a variety of fancy names. It also sells under different names in France, Germany, Italy, Austria and in the East," Stone said.

The patents cost Stone £7,500 and covered 25 countries, but they proved to be the wisest move he made.

"I raised £15,000 from a loan company – the only money I have ever borrowed – to help me develop the enterprise at this important stage and you could say the sphere was really rolling," he said.

Sphere has been rolling productively – and profitably – ever since. Stone can be seen at all hours mixing his secret potion in the 2,000 sq ft industrial unit – a former wartime explosives and mixing store at Milton Park near Abingdon that he has rented since 1970.

"It is only four miles from my house so I just drive down and mix to order. If there is a rush I have a few part-time helpers I can call upon.

"Annual production is about 50 tons and at £2,000 a ton that means I turn over about £100,000. Profit runs at 20-25 per cent of turnover and my main overheads are materials at about £20,000 a year and my annual rent, which is £12,000."

But after 30 years of making and selling Curb doesn't he want to do something new?

"I find it so interesting that I never want to retire. My father was playing golf to a 15 handicap at 86, although I have given up riding and shooting I should like to develop the company further," Stone said.

"I find the calls I get and the problems to be solved immensely fascinating. I have given papers at scientific meetings in the USA and Europe, and I meet all sorts of interesting people on my troubleshooting trips in this country.

"A few months ago I had phone calls from Sweden and Eire on the same day. Both callers rang to tell me they had discovered Curb will stop birds pecking putty out of window frames. Soon after the big putty manufacturers got on to me. Now I sell to them, and so it goes on."

There are two more things Stone wants to do. The first is to make his stepsons, Sean and Simon, who he hopes will take over the business, fully conversant with Curb's secret formula. The second is to develop neem oil, a natural extract from India.

"The insect-repellant qualities of this substance have been known to mankind since 500 years before Christ, but it has yet to be exploited to its full potential," he said.

"It will repel, and if necessary kill, just about every type of insect known to man. The Americans are now growing it and say it is going to be very big in harmless insect control over the next 100 years. Some experts say it has a part to play in preventing the spread of HIV, while it can also be used to repel organisms that cause barnacles to form on the outside of ships.

"I am keen for the British to exploit neem oil. All I need is to find somebody with a few million to put into it."

■ *Sphere laboratories, The Yews, Main Street, Chilton, Oxon OX11 0RX. 0235-831802.*

Tax and revolution

■ Continued from Page 1

One response is to say, why worry? If people are reluctant to pay higher taxes, but continue to say they want more of the state services such as education, health and pensions, perhaps this opaque system is in an obscure way giving the electorate what it wants.

Does the libertarian right's contention that big government is growing inexorably stand up to close examination?

As John Hills, of the London School of Economics, has shown in his study of the welfare state for the Joseph Rowntree Foundation, the share of national income taken by education health and social security has levelled out since the mid-1970s. It has fluctuated with the economic cycle; and the latest upturn in spending is mainly because of recession.

Yet it seems perverse to suggest that people might be happier with the results of an opaque and deceptive political process rather than one in which clear choices are on offer.

And whatever the level of tolerance of tax in Britain – and that tolerance will be tested by both Norman Lamont's and Kenneth Clarke's tax increases which have yet to take effect – there are wider grounds for thinking that tax reform in the developed world will develop new impetus.

The first is that Europe, regardless of the future of the European Union, cannot escape confronting new taxation problems of a kind that is more familiar in the US federal system. And, since the widespread abolition of exchange controls, capital has become internationally mobile. The result is likely to be a long run shrinkage of national tax bases.

Without exchange controls, it is no longer possible for governments to tax the citizen through inflation by defaulting on their IOUs. The citizen can move his investment elsewhere.

Governments are following the example set by Lord Lawson in seeking to offer low rates of corporation tax to inward investors. They recognise that investment decisions are increasingly influenced by tax considerations.

That is how international competition in tax policy squeezes the corporate tax base. Over the long term the ageing of the population in the developed world will also impose an increasing burden on those workers who are not internationally mobile. So just as US states find that high taxes and highly redistributive tax systems drive away people and companies to lower taxed states, European governments will find their power to tax is eroded. What reforms would cope with a world of increasingly footloose taxpayers?

Spending tax would overcome many income tax problems

From the public choice theorists' perspective, this competition in fiscal policy is a reform in itself. Protective state functions – defence, law and order – will no doubt continue to be financed by central government. But taxes for other purpose will be closely questioned.

To that end Geoff Mulgan and Robin Murray, of the independent think tank Demos, have argued for hypothecation or earmarking taxes so that people know what a particular tax is being spent on. Yet as the Institute for Fiscal Studies has pointed out, if the level of spending is dictated by earmarked tax revenues, it will go up and down with the economic cycle. So national insurance revenues go down in recession, just when the need for social security goes up.

A reform with wider potential is the radical system suggested by the Meade Committee in the late 1970s. This was that people should be taxed on what they *spend* rather than on what they earn or own. This would transfer taxation to the point at which people derive benefit from their money rather than the benefit they *might* obtain from their income or assets.

An expenditure tax, would overcome all the traditional problems that income taxes have with inflation, depreciation, the valuation of pension rights and of human capital. By operating on cash flow rather than income it abolishes the differential taxation of particular forms of income and saving. It can be progressive, rising more than proportionately with income.

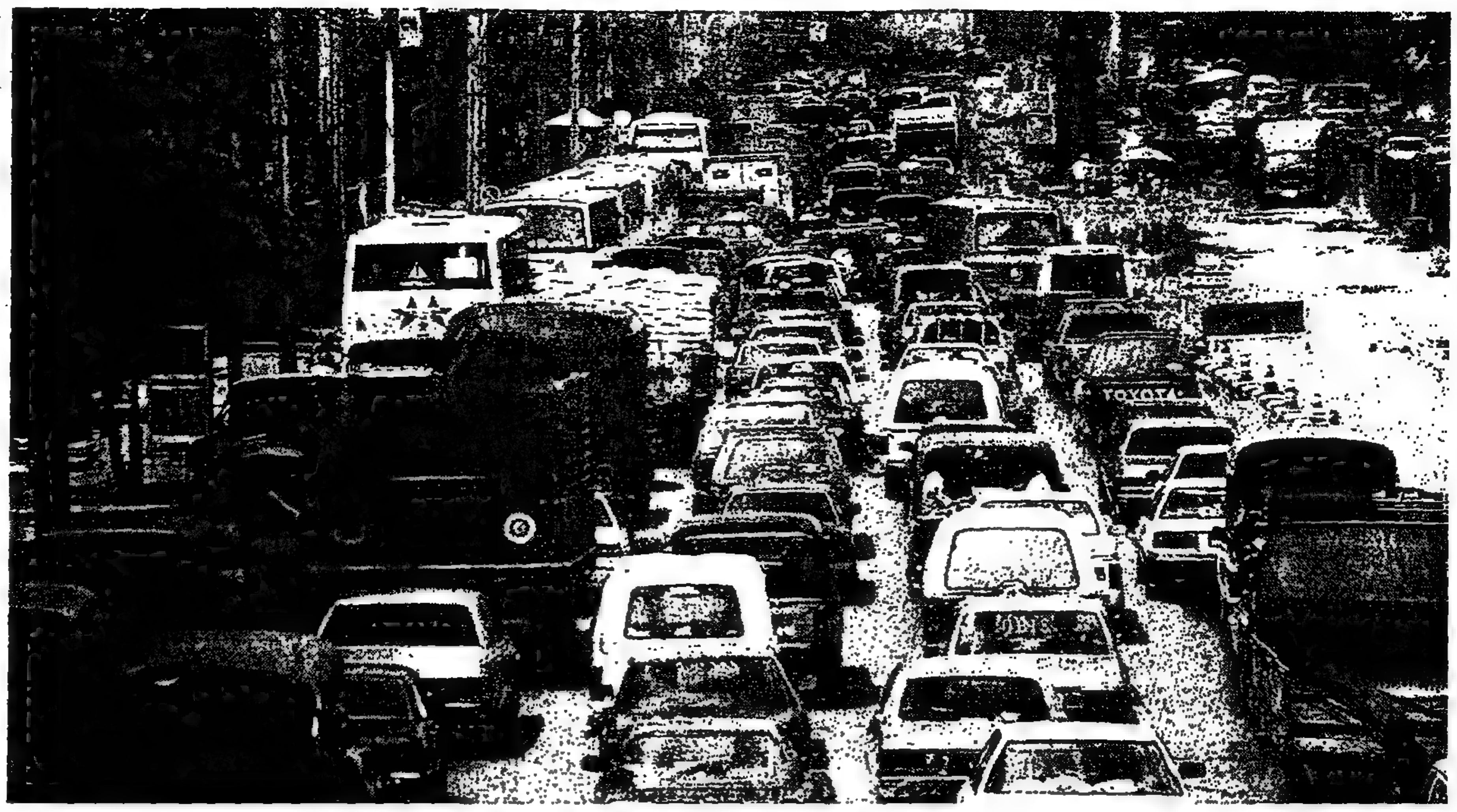
Politicians often claim that the administrative problems of switching to an expenditure tax would be overwhelming. But perhaps politicians are also worried that such a tax would be more transparent. Individuals and companies would discover that their tax bills were far higher than today's headline rates.

It takes a crisis to push through such a radical reform. But many tax theorists, including Charles McClure, main author of the first Reagan tax reform package, believe that income tax, on which the 1980s reforms were based, is in its death throes.

PERSPECTIVES

The city now standing still

Traffic jams are becoming a year-round nightmare for Bangkok's 8m inhabitants. Victor Mallet reports



Full speed towards gridlock: once a source of wry humour, Bangkok's traffic jams are becoming a year-round nightmare for the city's 8m inhabitants. Glyn Genin

It is Monday, 6.30 pm, on the streets of Bangkok. A European businessman in a pin-stripe suit with rolled-up trousers wades through 18in of rain and raw sewage, briefcase in one hand, shoes in the other, heading for home.

In another flooded road nearby, a pair of Thai schoolgirls are trapped with the family chauffeur in their BMW. The engine is still running in spite of the water, but the traffic ahead is stationary. They left school 3½ hours ago and are only halfway home.

A secretary who left work at 5 pm is standing in a crowded, motionless bus. She will not reach her home in the suburbs until 11 pm.

An Englishman is forced to abandon a business trip to southern Thailand after missing his flight; it took him more than three hours to reach the airport. His pregnant wife has just spent six hours in a taxi trying, and failing, to keep an appointment. Back in their apartment, she vents her frustration by methodically ripping to shreds a novel set in Thailand entitled *A Haunting Smile*.

This is, to be sure, a particularly bad Monday during the rainy season. But traffic jams, once a source of wry local humour, are becoming a year-round nightmare for the city's 8m inhabitants. Some Thais predict the government will fall because of its failure to reduce congestion in the capital.

The effect on society and on family life is profound. Cars have become second homes; middle-class Thais sleep, read books, watch television, make telephone calls and do their homework in the Volvo. Mothers rise before dawn, drag their children out of bed and into the car to beat the rush hour, and feed them breakfast at the school gates. Dinner with friends has become an unwelcome chore.

Even the normally aloof royal family has intervened in response to public frustration. King Bhumipol has donated 18m baht ($500,000) to the traffic police, allowing them to buy more motorcycles and train a "rapid deployment force" to rush to congested intersections.

"Traffic is getting worse and worse and everybody is moody, be it Thais or foreigners," said Queen Strikit in her birthday speech at the palace in August. "The crisis has reached an unbearable point ... It's sad to see children leaving home at four o'clock in the morning."

There is, unfortunately, no relief in sight. Successive governments, corrupt or inept and sometimes both, have failed to plan the development of Bangkok or provide any form of urban public transport other than buses and taxis. Property developers building high-rise blocks – which will generate yet more traffic – can flout such regulations as there are with a well-placed bribe.

Only 9 per cent of the city's surface area is given over to roads, compared with a typical 25 per cent in the world's other major cities. As Thais become more and more prosperous, an extra 450 new cars jostle on to the streets each day. Thailand is now a bigger market for cars than Australia, and on its way to becoming Toyota's biggest foreign market outside the US.

Thai commuters have quickly developed survival tactics to deal with the ordeal of spending six hours a day in their cars. One of the most popular radio stations in Bangkok is "Jor Sor Roi," or Radio 100. Drivers with mobile telephones give details of the latest snarl-ups over the air to their fellow victims. The radio station once co-ordinated the helicopter rescue of a woman about to give birth who was trapped in a traffic jam.

Physical needs are catered for by the Comfort 100, a $5 portable toilet available from Esso garages which looks like a plastic petrol container with a funnel; or the East Pee, a sort of plastic bag containing liquid-absorbing gel; or, for something more than mere urination, the all-purpose Combi, a bag in a cardboard box.

For those in a hurry, gangs of motor cycle taxi-drivers wearing coloured overshirts (for which they have to pay protection money to the police) are clustered at various street corners around the city. They can be seen weaving skilfully with their passengers in and out of the immobile lines of cars.

Then there are the mobile offices. Dr Narongchai Akrasanee, head of the General Finance group of companies, uses a modified Volkswagen Transporter, a van fitted with swivelling chairs, a telephone, a facsimile machine, a television, video and compact disc players and a refrigerator. Visitors can hire a similar but slightly less luxurious van from the Regent Hotel for Bt5,000 a day.

"It's mad," Narongchai says of the traffic. "It's the major suffering of the people here, and it's making the government very unpopular ... If we don't have public transportation soon, it will be crazy." He and his researchers estimate that congestion costs the city's inhabitants nearly $2bn a year in lost time and fuel. Other estimates run as high as $6bn.

Desperate citizens, encouraged by newspapers, have proposed dozens of improbable schemes to alleviate their plight, including declaring a state of emergency: "Give a supremo draconian powers," said one Bangkok *Post* headline.

After years of contemplating and then failing to deliver everything from elevated Skytrains and Skybuses to underground trains, government officials are thinking of moving the capital – or at least their ministries – to a new site further east. One of them even suggested building twin motorways in the Chao Phraya river, which runs through the city centre and remains one of Bangkok's few relatively pleasant spots.

Another idea, supported strongly by the police, is to reverse the direction of major one-way streets, although no one is sure why this would make any difference. A further proposal is to ban cars on alternate days on the basis of their licence plate digits; those starting with an odd number would be allowed out on, say, Mondays, Wednesdays and Fridays, and those with even numbers on Tuesdays, Thursdays and Saturdays. But they tried that in the Nigerian capital, Lagos, and all the rich families bought extra cars so they could drive every day of the week.

Even if a solution – an underground railway, for instance – is agreed, it would take years to build and the construction work would cause further chaos. In the meantime, Bangkok will continue to suffer. Its people are poisoned daily by the carbon monoxide, lead and toluene spewing from thousands of exhaust pipes. A fifth of the traffic policemen have hearing problems, and many have lung disorders as well.

The manic behaviour of Bangkok bus drivers has been explained partly by a study conducted by a local university into the effects of exhaust fumes. According to Professor Thephanom Muangman, dean of the environment and resources faculty at Mahidol University: "The gases are powerful enough to devastate the central nervous system, brain functions and consciousness."

One can only guess at the psychological impact of the traffic on Bangkok's school pupils. "Our children's future is being badly affected," said a letter to the *Post* from a "concerned parent" who pleaded with the authorities to do something to return the country to harmony and sanity. "Hurry up," the writer said, "before we all go mad."

The crisis has already had an impact on the capital's culture. A Thai author won a prize this year for a novella called *A Family on the Road*; the family lives entirely in its car and the book ends with the wife becoming pregnant.

Minister for a Day

From minor to major

Nigel Spivey picks up the sports portfolio

MENS SANA *in corpore sano* (a sound mind in a sound body) was a maxim fashioned by a satirist, not a doctor. And if you go back to its original Latin context (Juvenal Satires 10) you find that it was framed not as a conditional prescription, but rather as a wistful fritter of stoic simplicity.

Numerous examples can be cited of sportsmen and women whose ungracious boorishness appears to disprove the formula as it is commonly understood. But not to worry. In my Ministry of Sport, the promotion of healthy minds in sound bodies will radically transform the tenor of life in Britain.

In the past, this portfolio has been perceived as a minor sinecure. Some thoroughly wretched physical specimens have slouched in and out of the post, trailing clouds of ignominy behind them.

Searching their polysaturated hearts over the birching of English hooligans or the steroid intake of Welsh weightlifters, they have treated sport as an activity marginal to commerce, education and social welfare. They have failed to grasp the fact that in a technological society there are always going to be large numbers of unemployed, and those in employment will be ever more sedentarily occupied. In such a society, sport is not marginal. It is at the heart of human happiness.

So I shall be clearing the desks of my predecessors, and greatly extending the powers of the Minister for Sport. John Patten, the education secretary, will be first to feel my presence, for I have visited enough primary schools to realise that we are nurturing a whole generation of asthmatic, myopic and ill-co-ordinated children in this country, and my first move will be to get these youngsters fit.

School teachers, who in the past used to be able (and willing) to stay on for games coaching after lessons, will have their salaries immediately doubled. School playing fields will be vastly extended, by compulsory purchase where necessary, and school premises, especially in the cities, endowed with new gymnasia.

We shall raise funds in the short term by imposing a 40 per cent tariff on all computer games and videos (short-term, because I foresee a time not distant when children are weaned off these debilitators. In the long term, naturally, massive savings will be garnered from the fall-off in calls on the National Health Service.

At the secondary school level a very similar programme will be in place.

Those marvellous men and women who used to forfeit their Saturday afternoons to blow whistles on wet fields will be brought back and rewarded, and most teenagers will return home with only just enough energy remaining to pick up a book and sit quietly improving their literacy. The regime will not be Spartan, but neither will it be very different from Arnold's Rugby.

I know that I shall have allies for my programme in both houses. Sebastian Coe, MP for Falmouth and Camborne, will help; as will those athletic lords Archer and Parkinson. In the first instance my ministerial aides will be entirely recruited from the Cheltenham Ladies lacrosse team, an unfailing advertisement for good sense and good health.

In due time I trust that state schools will be turning out equally glorious products. I shall also employ a large detachment of peripatetic deputies, whose job will be to tour the country, encouraging all the many local initiatives which already exist. They will be role models of both prowess and pleasant manners: not the Gattings or Mansells, but the Brearleys and Linekers.

No other nation in the world, I think, has such a reservoir of amateur enthusiasm for sport as Britain: my ministry will at last recognise this as the resource it is, assisting with club expenses, providing bursaries for those with special needs, and facilitating the escape routes sport offers to those whose futures are otherwise bleak. Some of our greatest sportsmen (Daley Thompson, Linford Christie, Frank Bruno, Geoff Capes) have openly admitted that they might now be doing time were it not for sporting opportunities. Ten years ago the government forced schools to sell their playing fields. Now it is urgently having to build new prisons. The price is being paid.

Youth is like quicksilver. It needs to move, to collide and bounce. Injecting that elemental dynamism into the challenges of sport makes sense. I am not concerned about the fortunes of the national soccer teams, nor Britons who biff their way into the second round of the Wimbledon tennis championships.

Professional athletes will always find their pitch according to the marketplace. But I am concerned about the youngsters reduced to raving, drinking, and fighting in the streets. There are happier ways of releasing that energy.

■ Nigel Spivey is *the 1993 Eastern Counties hammer-throwing champion.*

To hell with colour – black is back

***Brenda Polan** dresses down – delicously – in every woman's favourite fashion classic*

It was the kind of party which, a year ago, would have been a raucous festival of colour: bright satin, aggressive taffeta, dazzling lamé. It would have been cheerful with feathers, beads, diamanté buttons and flamboyant bows. This year, however, the room was a haven of sombre sobriety. It was difficult, on first entering, to distinguish the black-clad men from the black-clad women. Only the flashes of female flesh, the bare arms, shoulders and nearly-bare bosoms which glowed under the dimmed lights, offered a few clues.

This sea of darkness elicited a strangely mixed response: disappointment that the eye-stimulation offered by a rich variety of colour and texture was missing; and a relaxing sense of familiarity and safety. This, after all, was just the way it was in the mid and early 1980s before designers "rediscovered" colour.

Those, of course, were the days when most of us wore little else but black at any time of the day, a phenomenon jointly induced by the Milanese designers with their passion for an urban uniform of black, white and grey and the new wave of Japanese designers with their bag-lady, post-holocaust monochrome palette.

Fashion victims of the time would confess to having inadvertently bought the same black jacket twice, to having another eight similar ones in their wardrobes and to being made nervous by the sight of anyone wearing something colourful. Men and mothers got very depressed at what they perceived as a morose and deliberately disfiguring uniform.

For, in our culture, black clothing carries deep-seated associations of loss and self-denial, mourning, guilt, gloom, sorrow, sin and death. It is the non-colour worn by nuns and widows, celibate priests, ascetic scholars, avenging goddesses and cauldron-peering witches, by the Furies, Hamlet, Queen Victoria – and Dracula.

So whenever it is worn by someone who falls into none of those categories, it has, traditionally, a perverse, dramatic effect. Beau Brummell's falling out with the Prince Regent may have degenerated into name-calling but it began as a clash of styles when Brummell discovered he was bored with jewel-coloured brocades and embroidered velvets and got himself up in sober black, relieved only by a simple white stock.

The entrance he consequently made has, as he might have wished, reverberated through history. It was the start of an unstoppable revolution in men's clothing and the Prince's subsequent temper tantrum only made it more likely.

On women, particularly young women, the dramatic effect is further heightened. Traditionally, as the debutantes presented at Queen Charlotte's Ball can testify, white and its pastel near-neighbours are the appropriate colours for maidens. White is the colour of purity and innocence, simplicity and hope. Black, its opposite, manages to imply impurity, experience, sophistication and, if not cynicism, then knowingness.

It was only in the early years of the century that it became permissible for a woman to wear black for evening glamour rather than because she was in mourning – and even then, if she was not an actress, she had better be married.

This was a proviso which operated even when Coco Chanel introduced the first official Little Black Dress in 1923. It was very much a grown-up's dress, a dress worn by a woman of the world with a long *sautoir* of pearls and a cigarette in a holder.

So much of recent fashion history is a matter of Chanel inventing and Yves Saint Laurent revising that it is hardly surprising that, the LBD having been reworked by every couturier in between, it was young Yves who gave it new life in the shape of the Smoking, a dress which mimicked the lines and satin revers of the gentleman's tuxedo.

Simultaneously the last of the exclusion clauses became inoperative. The self-dramatisation of Beatnik black had deliberately set out to undermine all kinds of conventional ideas about dress. The young women of the 1960s loved it for its moodiness, its hint of threat and danger, the fact that it shocked their mothers. They embraced Saint Laurent's Beat leathers and black Smoking with equal passion.

However, shock value is easily attenuated by familiarity. In the last 30 years the LBD has become a staple of most women's wardrobes not because of its drama, but because of its *lack* of it.

It is the equivalent of the man's evening suit. In it, a woman feels secure in the knowledge that she is appropriately dressed. She will never look as if she has tried too hard – much worse than looking as if she hasn't tried at all. Unless the LBD in question is particularly extravagant in style, she will never look dated and, more important, she will never look like mutton dressed as lamb, a serious hazard when fashions in eveningwear become glitzy, colourful and overtrimmed.

So, at last week's party, among the LBDs, the Smokings, the black palazzo pyjama suits, the black all-in-ones and the black velvet Biba knock-offs, regret and disappointment were fleeting. Gratitude and relief will last a lot longer.

My escort, an amateur sociologist given to sweeping interpretations of fairly frivolous trends, observed portentously: "Ah hah, sackcloth and ashes. The eighties are really over. They've all gone into mourning for their Chanel handbags. It's nineties self-denial."

No, no. It's nineties ease and comfort. You can only sustain high anxiety for short stretches of time and that is exactly what getting into a party dress used to be like. Me? I was wearing a black trouser suit over a black lace body. Wouldn't you have been?

Belgian chic – from riches to rags

*Does anyone actually wear the deconstructionists' designs? **Avril Groom** looks at the clothes on the catwalks, below, and, right, on some real-life customers*

The most interesting and challenging clothes right now come from a man who makes jackets out of old Metro posters and a woman whose idea of decoration is hospital-style tape ties. This sounds like the same avant-garde freakiness that spawned fashion-victim long black layers, impossible to wear for anyone other than scrawny superwaifs, but the growing band of sophisticated women who love these clothes tell a different story.

Ann Demeulemeester, Martin Margiela and Dries van Noten are the tongue-twisting Belgian triumvirate leading the "deconstruction" movement which turns the traditional precepts of clothes-making literally inside out, putting lining fabrics, raw edges, seams and so on on the outside.

These are controversial ideas that originally made a strong point about consumerist fashion in recessionary times but, as the threesome insists, such ideas are only a tiny part of their output.

The designers are the direct descendants of the older avant-garde grouping of Rei Kawakubo, Yohji Yamamoto and Issey Miyake, who have long toyed with such themes. But whereas the Japanese looked to their own culture and the future for their uncompromising shapes, the Belgians are infused with a powerful nostalgia for Europe's fashion past.

Anarchic shows in derelict hospitals featured plastic-bag dresses bound round with Sellotape

The Belgians graduated from art school in Antwerp in the mid-1980s. They share a philosophy which then seemed revolutionary, that clothes should be a quiet mix of individual pieces, new and old, to enhance the personality. With brash, gilt-buttoned logoland all around them, they needed shock tactics to get noticed.

Hence Margiela's anarchic shows in derelict hospitals and car parks featuring plastic-bag dresses bound round with Sellotape, or waiter's aprons worn with thigh-high waders, Demeulemeester's overlong sleeves and tape-ties looking suspiciously like ideas from straitjackets or hospital robes, and van Noten's retreat into institutional-looking baggy grey or beige linen.

Now that fashion has undergone a sea-change and recycling, plain clothes and tiny details are desirable, they find themselves in the vanguard and they have softened their position. Far from clothing women in ugly black layers, they say, they want them to look their natural best. The result in their spring collections, and those from kindred spirits such as Martine Sitbon and Helmut Lang, is a delicate, lyrical freshness that makes the efforts of better-known designers to follow the same lines look like the bumbling of clumsy dinosaurs.

These Belgians are far from the snarling nihilists some of their publicity suggests. Margiela is a charming, gentle giant whose chunky marled sweater and sea dog's cap make him look more like a North Sea fisherman than a designer. He finds beauty both in precious old clothes and the ability to remodel them in modern form.

His ideas tread a fine line between the witty and the wacky, usually coming down on the right side because of their quality. The soft, chunky Aran-style sweater shrouded in a layer of fine net, the clingy crop-top apparently made from a pair of long socks, the antique-looking crêpe dress with its darts and hem carefully unpicked and pressed open (yet still flatteringly cut), the man-styled jacket cut with a narrow shoulderline and overlong sleeves to emphasise femininity – the list seems endless.

Margiela's influence on current fashion is eloquently displayed by his spring collection. There is not a single new piece, just his favourites from previous collections, all coloured grey and carefully dated with their year of design. There they all are – the apron skirt, the flesh-coloured chiffon body with tattoo print, even the recycled paper jacket, all invented here but seen on many international catwalks for the first time this season.

Sheila Cunningham, a 60-year-old East End social worker and one-time assistant to New York fashion doyenne Diana Vreel, is one of his fans. "His clothes are a private pleasure. They don't cry out 'designer' and could be second-hand but they are well-made and feel wonderful. Dark colours are good for work and public transport. The shapes are individual enough to transcend trends. I buy such things in sales and need them to last."

Ann Demeulemeester, a small, pale blonde with limpid blue eyes, is a perfectionist whose business is self-financed and controlled. She says she "only started designing when I felt I had something different to say, to put my soul into clothes. Mainstream fashion was about comedy then but I was trying to design poetry."

Her clothes are detailed with craft-like care. Tiny ties that bind and fasten, fine tucks in the back of a swirling soft dress that give it a flattering sensuousness, the femininity of a bias-cut velvet skirt under a narrow, but mannish, brocade frockcoat – wearing these clothes is a subtle pleasure.

Her spring look is soft and fragile, with tiny linen camisoles suspended over mesh tops and hitched-up Victorian skirts, and pale, delicate colours replacing some of the black. "I wanted to dispel the idea that my clothes are sad," she says, "though sadness is a fine emotion."

Dries van Noten, who looks as beautiful and delicate as his printed chiffons, is the most accessible of the three in design terms. Always more inclined to use colour, he likes fragile, ethnic fabrics, antique embroidery and beading which he mixes with plain textures. His spring collection of nostalgic chiffon lingerie dresses, softly rose-printed overblouses and double chiffon reversible skirts is one of the season's prettiest.

The clients' comments show the appeal of these clothes to be their subtle detail and unshowy luxury. This is because they are cleverly designed and well made from the best fabrics. There is an idea that the deconstructed look can be achieved by chopping up, rebuilding and leaving raw edges on any old undersized, overwashed 1970s leftovers. If you do that you will just look as if you are wearing – well – chopped-up 1970s leftovers. To look elegant and believable, even deconstruction must be handled by artists and experts.

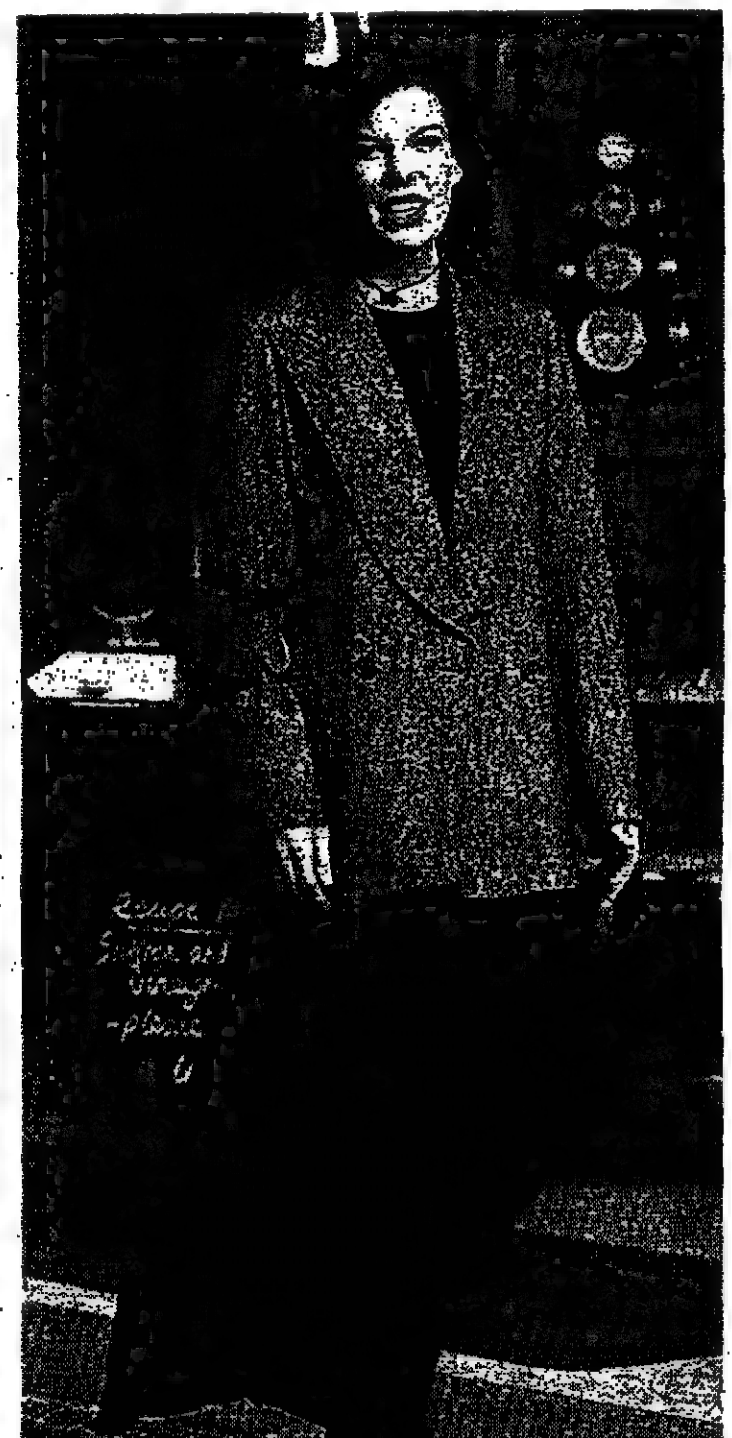
■ *A selection of the Belgian designers work can be seen at the following shops: A la Mode, Hans Crescent, London SW1; Browns, South Molton Street, W1; Harvey Nichols, Knightsbridge, SW1; Joans, Floral Street, WC2; Joseph, Brompton Cross, SW3; Pollyanna of Barnsley; Warehouse of Glasgow and Whistles, St Christopher's Place, W1 and branches.*

Pale chiffon and silk by Dries van Noten

White linen layers, Ann Demeulemeester

Jeans and chiffon by Martin Margiela

■ SARA BLONSTEIN, 28, media event organiser: "I've never been a power-dresser. I prefer street fashion but now I'm older I want a more elegant version. I have worn second-hand clothes which the beautiful tiny details and fabric of Demeulemeester's designs remind me of.
"Margiela fits a curvy figure brilliantly. I love the flowing look of floaty, monochrome layers. I feel very attractive in them. The ideas are fun – to me, this is the first time in ages something new has happened in fashion."
She is wearing a black silk/wool brocade sleeveless coat by Ann Demeulemeester, £590, silver metallic/acetate top by Martin Margiela, £165, nylon/polyamide top by Helmut Lang, £150, wool apron skirt by Dries van Noten, £200, all from Browns, South Molton Street, London W1.



■ CAITLIN COLOCOTRONIS, 26, artist: "I like clothes to be an extension of myself, to look brave and sexy as these do, even though they are subtle, showing off the personality rather than the body. They are tactile, well-cut and flattering. In adapting them to myself I feel confident. I hate labels; I resent paying to be a designer's PR. These clothes are beautiful, minimal, dark and unconventional, all very me, but I don't wear them all the time. Some of my family do not understand this kind of fashion."
She wears a black rayon/viscose dress by Ann Demeulemeester, £299, black and white wool tweed jacket by Martin Margiela, £529, both from Joseph, Brompton Cross, London SW3.
Make-up by Hannah, hair by Jon, both at Molton Brown W1. Pictures by Tim Jenkins. Catwalk pictures by Niall McInerney.

SPORT / MOTORING

Yachting/**Keith Wheatley**

Very wet, very cold and very fast

Icebergs, dense fog, speeds suitable for waterskiing, and boat damage are now daily fare for the yachts competing in the Whitbread round the world race. This weekend the fleet will pass King Edward Island, 1,000 miles south-east of Cape Town and the half-way point of the second leg.

Intrum Justitia, the pan-European entry in the lightweight W60 class, is the yacht setting the pace – literally. On Wednesday, it posted a new Omega 24-Hour Challenge record for the 1993/4 race with a run of 376.6 miles. At one point in the day, the satellite results system showed Intrum holding a steady 22 knots. But the depression blasting it along weakened and the average speed dropped to a tamer 17 knots.

Spray reached as high as the first spreaders on the mast, reported skipper Lawrie Smith, and the on-watch crew faced walls of green water coming down the deck. Much of it found its way below.

"These boats are notoriously wet, more akin to a submarine on the point of a dive than the surfing sailboards they've been described as," said Smith. "Everything is dripping down below. Floors, walls, clothes. Only the bunks are dry and I'm not too optimistic about them. It's horrible – but you can put up with it if you're winning," grinned Smith on a live video link via Inmarsat.

Aged 37, and Britain's top professional sailor, he has transformed the fortunes of *Intrum Justitia* since replacing Roger Nilson as skipper after leg one. The boat led across the start line out of Punta del Este, in Uruguay, two weeks ago and has stayed in pole position (in the W60 class) since.

Sceptics in rival yachts refused to believe that changing one man could alter the fortunes of a highly technical campaign. Alan Gray might beg to differ.

Gray's yacht, *Jamarella*, made a middling start in the 1989 Admiral's Cup campaign so he brought in Smith and the boat finished top AC yacht for the season. "He's simply an excellent sailor and makes a big difference when he joins," said Gray. "It's motivation and experience, not just ability. Lawrie has grit and a bit of magic, plus huge technical ability to optimise things like sails. You can't quantify attitude but, if we were talking about the media or show business, you'd know he has star quality."

Ross Field, skipper of the fourth-placed *Yamaha*, 74 miles behind Smith, does not seem to be enjoying himself quite so much. "Conditions are bloody unpleasant. It's very cold and the snow and fog are making it even more difficult," he said. "We've spotted icebergs and this snow is ahead of a new front coming through."

Yamaha was lucky to escape undamaged after being knocked flat in the "big blow" that powered *Intrum* to its record run. Field said the broach happened in around 35 knots of wind and the yacht was on its side for nearly 15 minutes.

"We had the spinnaker up and were sitting at a steady 25 knots' boat speed without surfing. We broached and it was bloody terrifying. The crew were all clipped on, so there were no injuries, but we were all a little shaken."

After the experience of *Tokio* in the early days of this leg, there will scarcely be a Whitbread crewmember who is not wearing his safety harness. *Tokio*, which won the W60 class in the first leg of the race and is second around 20 miles behind *Intrum Justitia*, lost bowman Ken Hara overboard when he fell from the tip of the spinnaker pole without a safety line.

Skipper Chris Dickson said: "When we spotted Ken in the water, we were doing 13 knots away from him with two spinnakers up and a lot of work to do before we could turn the boat around. Hara's first thoughts on seeing the boat going away from him were: 'This must be a dream, this can't be happening.' He removed his boots and held them upside down for additional buoyancy. He was wearing only sea-boots and thermal underwear at the time.

"This incident was not due to extreme conditions but through carelessness. All the crew is aware that, in different conditions and darkness, things might not have gone so smoothly," added Dickson, who reprimanded Hara. The bowman is a hero in Japan, where he is the country's first big-time professional sailor in a nation that is gripped increasingly by yacht racing.

The jury is still out on the question of whether the bigger 80ft maxi-ketches can hold off the challenge of the W60s on this 7,500-mile leg to Western Australia. The smaller yachts need consistent winds of more than 30 knots to break through but, so far, they have had only random 12-hour spells of heavy air. Nevertheless, *Intrum Justitia* has passed *Merit Cup*, the second-placed maxi, and has only *New Zealand Endeavour* 50 miles or so ahead.

Pierre Fehlmann, skipper of *Merit Cup*, is candid in his anxieties about his yacht's inability to match the Kiwis despite having near-identical boats from the same designer. "I am really wondering, do they have a hull that is somewhat better in surfing conditions? Do they simply have better helmsmen? Or do they push the boat one step further towards the risk limit than we do?" pondered a downcast Fehlmann.

Black and blue: Jeff Wilson is tackled by Scott Hastings of Scotland last Saturday. The All Blacks won 51-15 and will test England's pretensions at Twickenham today Reuters

Rugby Union

Power but not enough glory

Under Dudley Wood England has grown rich. He tells Derek Wyatt his plans

Dudley Wood is a big lad. He needs to be. As secretary of the Rugby Football Union, he sits on a rugby throne whose power and wealth has swelled in the seven years that he has occupied it. Since 1986, the Rugby Union's business has grown from £5m to nearer £45m; the staff from 50 to more than 100. It owned the Twickenham ground, an assortment of allotments, better known as car parks, and 26 houses nearby, now it has a rebuilt stadium and a second ground complete with hotel in Wolverhampton. You have to pinch yourself to remember that all this has happened while the economy has been in reverse.

This increased financial strength has made England the dominant nation in the talking-shop which some refer to as the Four Home Unions committee. But on the field progress has stalled. The All Blacks triumphal progress round Britain suggests that this afternoon's international will provide another demonstration of the gap between England and the top nations in the southern hemisphere. Wood is using his muscle to persuade the other home unions to accept changes which serve England's aspirations rather than their own interests. Wood plans changes to club rugby in Europe, in the way tours are handled and in the five nations championship and the distribution of the television revenue it generates.

"In future we will be looking to develop a Test series against an incoming country like Australia. I suspect this would be two Tests. it would be nice to think that we could hold one in the north and one at Twickenham. We had the South Africans at Elland Road [Leeds United's ground] last year and this year the crowds at Anfield [in Liverpool] and Gateshead for the New Zealanders suggest there is a large audience for our game," said Wood.

The reality is that with £28m raised to complete the north and east stands at Twickenham – the latter is opened today – and the west stand due for rebuilding starting in May,a two Test series would have to be played entirely at Twickenham in the immediate future to maximise income.

Whether English rugby remains fashionable depends on how the team fares in the world cup, due to be held in South Africa in 12 games', or 19 months', time. Certainly, England's club structure, though heaving under the strain of home and away Courage league fixtures, is vibrant and the envy of all, save the French.

The Welsh, whose domestic league is sponsored by Heineken beer, want to improve competition for their top clubs and have urged the creation an Anglo-Welsh league. Woods said: "There is no urgency to establish an Anglo-Welsh league. The home and away fixtures must stay for one more season, so we can best see how to adjust the numbers in the top three divisions. There's no flexibility at present and if we had a bad winter I'm not sure how we would fit in those matches cancelled.

"The four English clubs who met their Welsh counterparts the other day did telephone me to tell me what they were doing. Of course, we understand that these fixtures were and are important to them and add extra spice and revenue. It is probably true too that at the moment the Welsh clubs need the English clubs more than we need them. We have sponsorship deals to honour – in Courage's case we've another three and a half seasons to go – and we won't be dictated to by other sponsors.

"Adding more to the time-table would impact on the Five Nations which we have been trying to push back towards the end of the season but we cannot convince the French who do not wish to move their club competition. I'm not sure we can expand it either. Romania is not the strength it was and our B team has comprehensively beaten Italy and Spain so they must wait. America is struggling and only Canada would be worth considering and two leagues of five probably wouldn't work."

The Five Nations Championships is the envy of all other sports. No-one in their right minds would tamper with it, except . . . except . . . the tournament is not serving the aspirations of French or English rugby.

The quality of the play in the five nations has fallen. The standards set by Australia in the Parc des Princes three weeks ago against France and the power of the All Blacks showed last Saturday against an embarrassingly weak Scotland team, showed that it has become too inward looking.

While New Zealand has its sights on the World Cup in 1995, England has its sights on the Five Nations and the World Cup. To some extent the Five Nations is now an irritant in the preparation of the squad. Yet, it is the proverbial jewel in the crown where television is concerned even though the existing contracts are confused.

In France, the broadcaster Antenne 2 owns the rights for France's championship home games until 1995. The BBC owns the rights to games in the UK until 1994. Another UK broadcaster – Sky or ITV – could buy the rights to the French games from Antenne 2 and put any new UK deal in jeopardy. Ireland's state broadcaster RTE could do a similar deal. There is nothing to stop them.

The Four Home Unions television sub-committee has not kept abreast of developments in the European media and is still trying to formulate a contract to put out to tender. Wood conceded as much: "It has been a tricky series of negotiations between the four home unions and about what we want to put in the tender. We are aware of the holes that exist."

In the past the four home unions have divided the cake into equal parts and though Wood would not commit himself it is apparent that this will no longer be the case. England, with the largest rugby population, will receive more than the others, possibly as much as 40 per cent of the total.

The senior clubs, who want to negotiate their own television contract, shot themselves in the foot a few weeks back. Racing at Ascot was called off and BBC television offered to take the second half of the Wasps v Bath game live for £15,000. The senior clubs refused, fearing it would harm their gates that afternoon. Televising it would have given them some idea of the pull of the leagues and some reaction from their sponsors.

It is sometimes easy to forget that all these developments have come about because of the 15 England players who will try to stem the All Black tide this afternoon. It is they who have created the increasing demand for the game. Their development is being held up by the parochialism of the home unions. If they had their way, I believe, they would want England to plot its own future independent of the other three home countries.

Golf

Secret joy of Ireland's missing links

Derek Lawrenson follows Nick Faldo to Ballyliffin in County Donegal

So what else does Nick Faldo do with his spare time apart from strap his wrist to the latest high-tech gadgetry to ease tendonitis?

This summer he donned his architect's hat and broadened his education by visiting some of the great Irish golf courses that never host a pit-stop on the European tour. His ambition is to design both a links and an inland course in Britain that stand comparison with any, so the journey was an essential one.

Some Irish links courses, such as County Sligo and Lahinch, are known to most golf students, but there was one place that Faldo visited that has escaped attention.

Ballyliffin, in Donegal, is the most northerly course in the whole of Ireland. It lies just below Malin Head.

Quite why it is not recognised among Ireland's finest courses is something of a mystery. Its absence from most guidebooks explains why the fairways are largely deserted; a stark comparison to Ireland's most celebrated venues. But Malin Head did have 19 days in July when the wind's was gale force, and this was perhaps a contributing factor. Who, though, ever went to Ireland for the weather?

Furthermore, Ballyliffin is a breathtaking links course, and the green fees, at I£8, represent a bargain which you will have to search hard and long to match.

What Ballyliffin is not, however, is a fair golf course. It is gloriously, maddeningly, unfair, as most links courses are. Its fairways are covered in pimples, and if you were not surrounded by some of the most sublime views to be found anywhere, you would be cursing as your 230 yard drive comes to rest on a vicious upslope.

The whole course is a hidden trove. It does not matter one score card you have picked up lists the fifth hole as a 389 yard par four, when what you are actually confronted by is one of the great natural par threes?

You quickly grow used to the fact that the score card measurements are in yards while the marker posts on each hole are 150 metres from the flag.

Of course if you do not accept these eccentricities, there are plenty of £75 per round courses in the UK where you will have time during the five hours it takes to play 18 holes to ruminate on the fact that everything is spot on.

Ballyliffin itself contains, so far as I could see, two hotels, two shops, a post office, a couple of bed and breakfasts, two pitch and putts, a wondrous beach and the golf course. It lies halfway up the Inishowen peninsula, beloved of geologists, archaeologists, historians, naturalists, ornithologists but not yet golfers. Just do not tell too many about it, will you?

Faldo, by the way, played off the back tees and breezed round in 69, which is three under par. He thanked club officials and left with a look of envy on his face that suggested his minders were about to be confronted with the questions: who is going to find me a piece of land that matches this one?

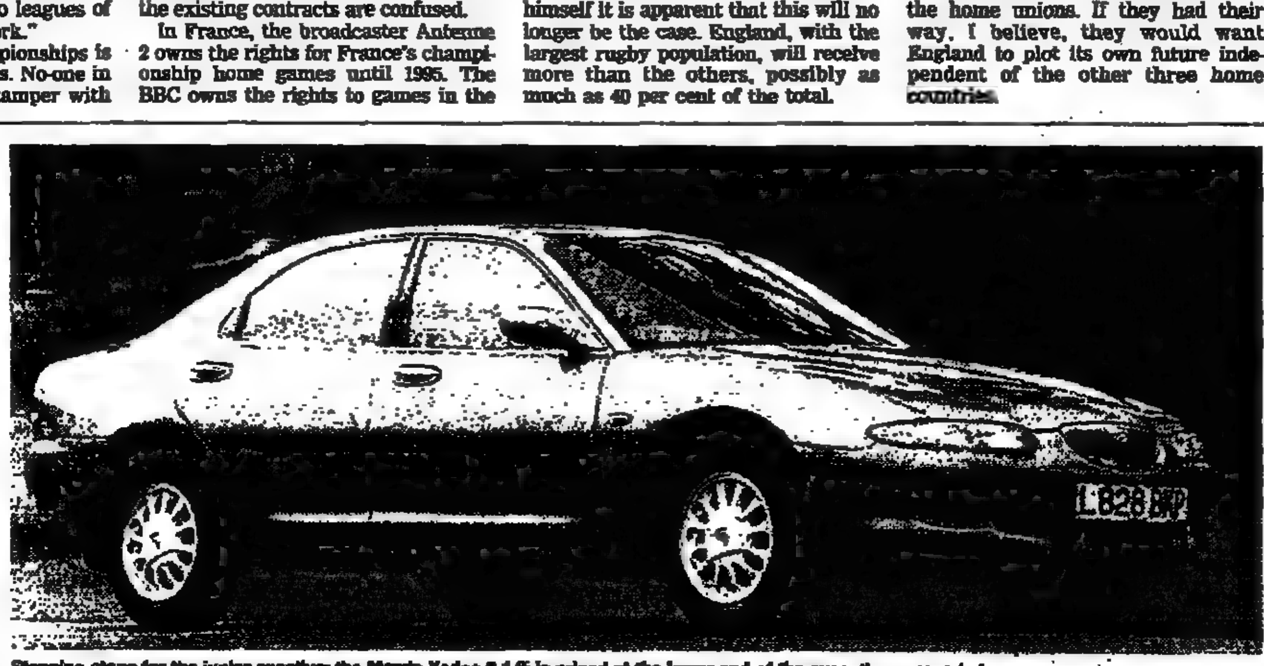
The day I played the sun was shining. There was barely a breath of wind. I felt almost guilty standing on some of Ballyliffin's more exposed areas swinging the club freely and with no concern for the weather. There must be days out there when the wind possesses such strength that simply to address the ball would be beyond the efforts of most of us. I would not want to swap for one of those.

Not that everyone was happy on this gorgeous day. On the first tee in front of us, there were two disgruntled Irishman. "I don't know how they get away with it," one of them said, to which his friend replied to anyone in earshot: "Bloody disgusting charging £8 for green fees, isn't it?" Clearly some people do not know a bargain even when it is laid out in front of them in all its wonder.

Motoring / **Stuart Marshall**

Needing to make a name for itself

Mazda's sleek Xedos enters a market in which status is vital



Stepping stone for the junior executive: the Mazda Xedos 6 1.6i is priced at the lower end of the executive car market

Mazda's bid to get into the lower end of the premium executive car market is called the Xedos (pronounced ke-see-dos). Choosing this name must be a Japanese revenge for all the mickey-taking by foreigners over the funny names the Japanese have given their vehicles in the past, such as Cedric, Violet, Gloria, Cherry, Bongo (yes, I swear it) and Genteel.

Even when they have thought up a good name, things have sometimes gone wrong. Wouldn't The Toyota Windom be much better as the Wyndham? But what's in a name? The Xedos 6 1.6i, Mazda's junior sports saloon, (pictured), is cast in a similar, if smaller, mould to the Lexus GS300, a BMW 530 rival that impressed me deeply.

At £15,995 for the manual (£16,895 automatic) the Xedos 6 1.6i slips into the lower reaches of the executive market where it costs exactly the same as a BMW 316i Special Equipment, which might or might not be sheer coincidence.

It is sleek and shapely, with not a straight line or flat surface in sight. From the front, the tiny air intake grille and slit-eyed headlamps make it look like a sleepy Siamese cat with its tongue half out.

In common with the Lexus, the Xedos has been designed to cut through the air with minimum disturbance and, at business motoring speeds, wind noise is virtually suppressed at source. Perhaps this made me aware of the tyre roar on coarsely textured surfaces. But, apart from this and an occasional buzziness at high revolutions in the gears from the smooth-running and vigorous 16-valve engine, I rated the Xedos 6 1.6i a compact and comely car with delightful manners.

Just as Lexus GS300 buyers or user-choosers may well graduate to an LS400 as they move higher up the management ladder, the 1.6i Xedos 6 will be a stepping stone. Next in line is the two-litre, V6-engined Xedos 6 which leads up to the flagship of the marque, the Xedos 9, with a choice of two-litre or 2.5-litre V6 engines. The Xedos 9 made its debut at the Frankfurt show last September and arrives in Britain early next year.

The biggest hurdle Lexus and Xedos have to leap is entirely subjective. When executives choose new company cars, status might well rate higher than performance. For years, the business and social credibility of makes such as BMW, Mercedes and Jaguar has been well established.

Although Lexus LS400 sales increased during the recession while those of most of its competitors fell, the name – unlike those of its European rivals – still does not have instant recognition. Xedos is even less familiar.

But then, so once were names like Canon, Minolta and Nikon. Just ask a photographer what happened to Leica and Contax in the precision camera market.

Pedal policy

Mention of pedal cycles in a motoring column is guaranteed to produce a reaction. Even if pro-bike, motorists complain – justifiably – about a minority of cyclists who behave disgracefully. They cite riding on pavements; foul language or threats of violence to pedestrians who protest; ignoring traffic signals and one-way streets; and riding unlit at night.

Cyclists, also justifiably, complain that some drivers behave thoughtlessly, even aggressively toward them as though they had no right to be on the road at all. The fact is that cyclists have a perfect right to use highways (but not motorways) freely, although whether they are always wise to exercise this right is open to question. But they also have responsibilities.

Insurance is a prime example. Few cyclists have any, yet a third of the 20,000-odd accidents involving them each year are held to be their fault. In law, they could be responsible for damage and injury, even legal fees.

This Christmas, about 1m children will wobble forth on their new bikes. Many, thankfully, will wear safety helmets. But even more important would be a RiderBike* policy (£12 a year for an individual, £20 for the family) bought with the bike from independent cycle dealers.

Last year, 24,800 cyclists became road casualties in Britain, 3,787 with serious injuries. Of 204 who died, 48 were children. While insurance cannot prevent accidents, it can at least make the results of many of them less distressing.

* *Information on RiderBike from 061-795 4905.*

S.M.

FOOD AND DRINK

Distinctly upper crust

***Philippa Davenport** samples the foreign flavours on Britain's bread boards*

Britain might not be the gastronomic centre of Europe but it scores closer to the bullseye in one respect than many other EU neighbours - bread.

Eating in hotels and restaurants on the continent, I have been struck by the omnipresence of side plates laid with cardboard cut-out rolls that bear no resemblance to real bread. They are lightweight, anaemic, textureless and tasteless. In Britain, however, any eating establishment with a mite of pride takes the trouble nowadays to welcome diners with a choice of increasingly good breads.

Shopping for bread also has become fun and, for variety alone, Britain seems to have become the bread basket of Europe. Yet, sliced white was the norm less than 15 years ago; indeed, sliced white was the *only* bread on offer in many outlets - a fact so depressing that it prompted Michael Bateman and Caroline Conran to launch a campaign for real bread in the *Sunday Times*.

Now, mills are being restored busily, village bakers are bouncing back and supermarket bakery sections are expanding faster than Chorleywood dough. The whiff of freshly baked bread wafts from in-store ovens and cash tills are ringing merrily.

Lincolnshire plum bread, Irish soda bread, Scotch pancakes and barley bannocks are all selling well but, above all else, the trend is international. Look along the shelves and you will see loaves with claims to French, Spanish, Portuguese, Italian, German, Greek, Armenian, Russian, Indian and other foreign origins. Every week, newcomers swell the ranks of this bready tower of Babel. Only yesterday I spotted a label that made me laugh out loud: "Mediterranean bread" imported from Canada.

There is a lot of good bread in Britain now and a lot of absurdities. Some designer breads coming into the shops are a triumph of style over flavour.

Parallel with all of this, interest in home baking is growing apace and two new books are devoted to the subject. One is *The Complete Bread Book*, by Gail Duff (Pavilion £17.99), sub-titled "150 traditional recipes from round the world." Duff is a competent cook, noted for her wholefood and vegetarian writings.

The other is *The Bread Book*, by Linda Collister and Antony Blake (Conran Octopus £9.99). It is sub-titled "a step-by step guide to making over 130 delicious breads" and appeals more to me than Duff's, partly because it does not attempt to cast its net so wide.

Blake is one of those photographers who is so good at illustrating the written word rather than seeking to dominate it. Collister is an accomplished baker and totally trustworthy as a recipe writer. She inspires confidence by virtue of her quist, unflamboyant style and attention to detail.

She always mixes and kneads doughs by hand "because I enjoy it physically." She accepts, though, that others may prefer to use a food mixer and a dough hook. Similarly, although she would always choose fresh yeast, she acknowledges that others may find dried yeast granules or easy-blend varieties more convenient. Accordingly, she has tested her recipes using these sorts of yeasts as well.

Although the majority of breads in this book are raised with yeast, unleavened breads are included, too. There are also quick breads made with baking powder (or bicarbonate of soda plus cream of tartar or acidic liquids) and sourdough breads, the chemistry of which

'A lot of good bread is baked in Britain now but there are also many absurdities'

she found particularly exciting to crack. It is an appetising collection and a very practical guide to the gentle art of good home baking.

FRENCH SOURDOUGH LOAF

This is Collister's version of the crusty, chewy loaf made popular by the famous Poilâne baking family in Paris. She warns that the tea towel lining the basket used to mould the loaf must be linen, not terry-cloth, dry and heavily-floured: if the dough sticks while rising, it can collapse when inverted onto the baking tray for cooking.

She points out that the first two or three batches will taste good but will not rise as well or be as successful as later batches when the starter becomes established. The loaf is an excellent keeper and tastes better as it matures. It is best sliced thinly and should be eaten within one week.

For the starter: 8 oz stone-ground wholemeal bread flour; about 8 fl oz lukewarm water.

For the sponge: 5 fl oz lukewarm water; 8 oz unbleached white bread flour.

For the dough: 2 fl oz lukewarm water; ¾ oz sea salt; about 8 oz unbleached white bread flour; extra flour for dusting.

To make the starter, put the wholemeal flour in a small bowl and make a well in the centre. Pour in the lukewarm water and mix to make a very thick batter. Cover with a damp tea towel and leave at room temperature for three days, re-dampening the towel each day so the batter absorbs the natural yeasts in the air. After three days, the starter should be smelly, grey and only slightly bubbly.

To make the sponge, pour the starter into a large mixing bowl. Stir in the lukewarm water and add the white bread flour. Beat with your hand for about one minute to make a thick batter. Cover with a damp tea towel and leave at room temperature for 24-36 hours until it is spongy and slightly bubbly. The longer you leave the sponge, the more pronounced the taste will be.

To make the dough, stir the sponged batter well. Beat in the remaining water and the salt, then mix in enough of the remaining white bread flour to make a soft but not sticky dough.

Turn out the dough on to a lightly-floured work surface and knead for 10 minutes until firm and elastic. Return the dough to the bowl, cover with a damp tea towel and leave to rise at normal temperature until almost doubled in size: eight-12 hours.

Knock back the risen dough. Cut off 6-8 oz and set aside for making the next starter (see below). Shape the rest of the dough into a ball and put it into a round basket 9 in wide and 4 in deep that has been lined with a dry, heavily-floured tea towel. (Use a greased 2 lb loaf tin if you prefer, or place the ball of dough directly onto a baking tray).

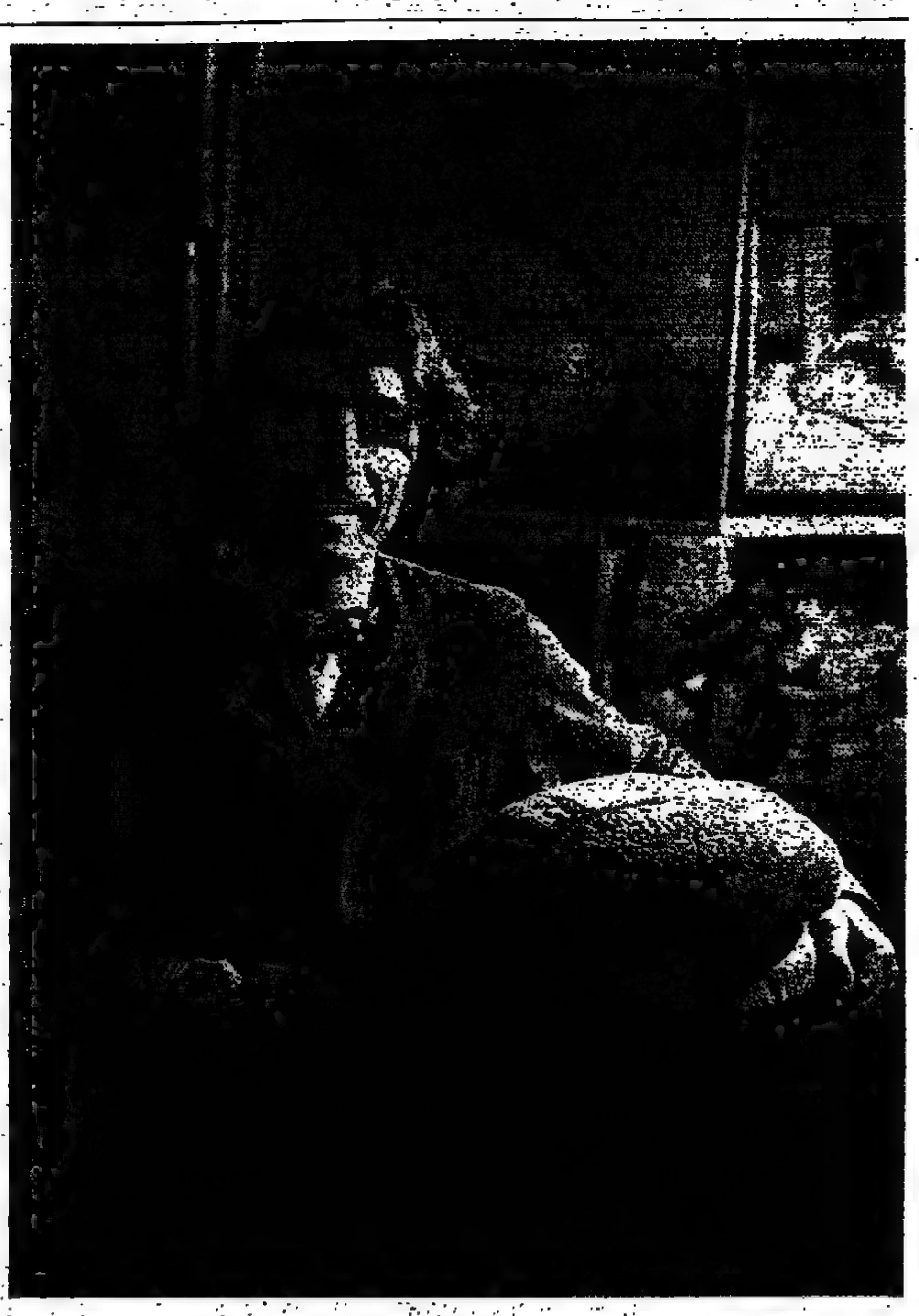
Cover with a damp tea towel and leave to rise at normal to warm room temperature until almost doubled in size: about eight hours. Subsequent batches may take less time.

Pre-heat the oven to 220°C/425°F (gas mark 7). Invert the loaf in the basket onto the baking tray. Using a sharp knife, slash the top of the loaf four times. Do not drag the knife or the loaf may collapse.

Sprinkle with flour. Bake for 20 minutes, then lower the oven temperature to 190°C/375F (gas mark 5) and bake for 35-55 minutes longer until the loaf sounds hollow when tapped underneath. Transfer to a wire rack and leave to cool completely.

To keep a starter for the next batch, put the reserved 6-8 oz portion of dough into a greased plastic bag and store in the fridge for up to three days, or leave the dough in a small bowl covered with a damp tea towel at normal room temperature for up to two days, re-dampening the towel each day.

To use, start at the sponging stage in the recipe above; you will have to add a little extra lukewarm water to make a thick batter. Proceed with the recipe.



Lionel Poilâne with the sourdough loaves made popular by his family in Paris. This is just one of the many evocative pictures in "The Bread Book", by Linda Collister and Anthony Blake (Conran Octopus, £19.99, 192 pages)

Bourbon? Take it out of Kentucky

***Giles MacDonogh** raises hell in bluegrass country*

Were I to play devil's advocate in Louisville, Kentucky - a risky thing to do - they would almost certainly have me run out of town because I would suggest two important changes in the way Bourbon whiskey is made.

Firstly, I would abolish the rule that the spirit may only be matured in new white oak casks. Secondly, I would shift production several hundred miles to the north, to the Canadian border, a place cool enough to allow the whiskey to mature in peace.

Bourbon is a prisoner of its own packaging: new white oak, charcoal filters, and Kentucky. In the last century, and the first few years of this, it was virtually indistinguishable from "white dog" or moonshine. This coarse, backwoodsman's dram was derailed by Prohibition. There was no time between the repeal of the Volstead Amendment and the outbreak of the second world war to build up mature stocks of Bourbon which means that the earliest properly made whiskies were bottled during the second world war or just after.

I was fortunate enough to sample one of these at United Distillers' big distillery complex in the suburbs of Louisville.

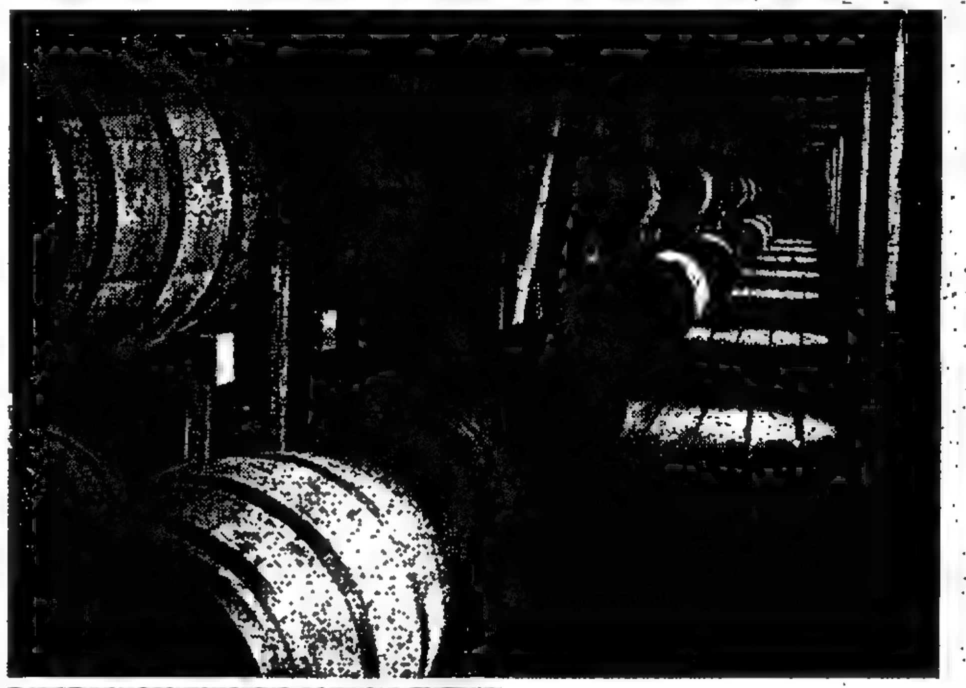
When Bourbon emerged from its big sleep, it did so with all the gimickry of new oak and indications of great age. In reality, however, age is not a good sign when it comes to Bourbon.

The sun burns brightly in the long Kentucky summers and the whiskey is fairly grilled in the gaunt, corrugated iron silos which are a distinctive feature of the landscape.

The spirits lodged under the rooftops lose volume at an alarming rate. It has long been held true that the best Bourbon is the "middle cut", barrels housed half-way up the multi-storey warehouse, where they are best protected from the heat.

As the whiskey reduces in cask it absorbs more and more of the flavours and tannins in the white oak casks. At around six to eight years it achieves a sort of balance where it is not too oaky or peppery. When the cask and whiskey flavours have agreed to some sort of marriage it makes the Bourbon good to drink. Left for longer it gets forbiddingly peppery and woody.

The 28-year-old Bourbon I sampled at the independent Heaven Hill distillery was like chewing on a mouthful of splinters. Another drawback, when it comes to Bourbon, is an obsession with filtering.



One of Bourbon's drawbacks is the obsession with filtering

If one were to believe the contents of the current advertising campaign for the Tennessee whiskey, Jack Daniels, the stuff would be so hygienically filtered that it would be indistinguishable from cask-aged vodka. Filtering takes the goodness out of all alcoholic drinks. Booker Noe is aware of this and this is why his very special whiskey - Booker's - is unfiltered.

Booker Noe is the grandson of Jim Beam, one of the distillers who pioneered the rebirth of Bourbon after Prohibition. Booker was chief distiller at Jim Beam until recently. Now his son, Fred, is being groomed for the job. Fred has an agreeable frankness when it comes to Bourbon. As we went through the distillery I pointed to the heavy filtering process going on before bottling: "That's why daddy's so fond of his Bourbon!" he said. The filtering was introduced in the 1980s. "The old boys say the whiskey *don't* taste like it used to. We don't make it like we used to," he adds candidly.

Booker Noe is one of Kentucky's living legends; a colossus of a man who lives in patriarchal style surrounded by his family.

His job is to select the very best whiskies from the Jim Beam distillery which are issued as single-cask Bourbons. Booker's is issued at cask strength in very limited quantities and sells in the US at around $45 (£30.20) a bottle. It is wonderfully complex for a Bourbon; an eight-year-old whiskey from the middle of the warehouse with tremendous depth of flavour Booker also selects the other cask-release Bourbons for Jim Beam: Basil Hayden, Baker's and Nob Creek.

Jim Beam is not the only Bourbon distillery to issue single-cask Bourbons. Ancient Age has had a notable success with Blantons and their rare (I was unable to put my hands on a bottle) Rock Hill Farms label is consistently cited as one of the best on the market.

None of these single-cask Bourbons is widely available in Britain.

The best you'll find here is a high strength whiskey such as Wild Turkey 101 (50.5 per cent), or Makers Mark from Kentucky's most picturesque (almost "boutique") distillery in Loretto. The higher strength works better for Bourbon as the flavours appear to marry up better.

Makers Mark is a Bourbon which uses a small percentage of wheat together with the predominant corn and malt in its mash tub (another is Rebel Yell). This may well be responsible for the impressive, lemony length of its taste on the palate. What is more the flavour of the whiskey seems to win out over the cask for once; but then, I have probably said enough.

■ Makers Mark is available from Harrods (071-730-1234) or Selfridges (071-629-1234) priced around £21. Harrods also sells the Wild Turkey 101 at £22.25.

Guide to the food guides

The Good Food Guide (Which? Books £14.99), in spite of its editors' foibles, has served the UK and its readers well, raising standards and bringing to the judgment of food, wine and service a typically British approach.

Amateur in the finest sense of the word, it has relied on readers' letters for restaurant recommendations and has been a commercial success, selling more than 60,000 copies annually with a small staff and limited expenses.

But the guide needs to respond to changing circumstances. Its faithful readers are growing older and its younger ones are not in the habit of sitting down and writing letters after every meal to provide it with the raw material it relies on. It offers a Freepost service but an easily detachable fax report form would also be a help.

The Consumers' Association has released Tom Jaine, the editor, from his contract and spent several months searching - so far unsuccessfully - for a suitable replacement.

Over lunch of risotto with clams and oxtail *en crepinette* with pureed potatoes at Aubergine, London, SW10 (tel: 071-352-3449) Jaine explained why editing a national guide was becoming increasingly difficult. While standards had risen sharply in London, and culinary fashions have come and gone during his five-year tenure, outside the capital a gastronomic vicious circle prevails.

This was created, Jaine felt, by special event eating. Outside London, people tend to eat out less frequently and only when the occasion demands - a birthday, anniversary or wedding. Restaurants have two to three busy days and nights a week, usually at weekends, and so keep prices high. High prices stifle demand, people therefore go out less and the circle is perpetuated. Jaine's gloomy prediction was that in the future only hotels and pubs may survive outside London. (A recent Gallup survey found that the British public prefers staying in and watching television to eating out).

The invaluable independence of the *Good Food Guide* becomes obvious when it is compared with its competitors. The *Egon Ronay Guide* sponsored by Cellnet (£13.99) is the most comprehensive, thanks it would appear to close collaboration with the American Express database, but the print is small and the spine and binding inadequate. The *AA Best Restaurants in Britain* (£11.99) is sponsored by Abbey Well water and, although the print is clear, the maps are surprisingly poor and the decision to list all restaurants beginning with T together - The Dorchester, The Ivy, The Savoy, but surprisingly not The Ritz - I found confusing.

The Ackerman Charles Heidsieck Guide (£14.99) is as effervescent as one would expect from its association with a champagne house. My main gripe here is that this guide, while informative, is not at all critical. I also find photos of empty restaurants off-putting - one good reason for staying in and watching television.

There are even more guides to London restaurants this year. *Harden's* (£6.95) remains the most concise, up-to-date (complete with a list of restaurant closures) and most user-friendly in terms of format and price. Its ratings for food, service and ambience, however, have become too restrictive.

The first edition of the *Evening Standard London Restaurant Guide* (£9.99) is disappointing. Although it benefits from two authoritative, incisive writers, Fay Maschler on food and Andrew Jefford on wine, and has the clout of a big organisation behind it, I was left with two nagging questions. Why did it cost 50 per cent more than the other two London guides and why does it have to have such a smelly plastic cover?

This year I have overcome two major reservations against the *Time Out Guide* (£6.99) and use it more than any other London guide. Its cover too is awful - as is the *Good Food Guide* - and its A4 size is inconvenient. But it is comprehensive, including a down-to-earth account of a meal in London's only Burmese restaurant, Maymyo in Herne Hill, and its area index, with restaurants listed by area and then by cuisine, is highly practical. Most of all, I appreciated its breakdown of London restaurants by cuisine. It made me realise that if one is tired of eating out in London one is tired of eating out.

Nicholas Lander

Wine snobs : don't you absolutely hate 'em?

***Jancis Robinson** defers to a man of taste*

"The person I abhor most in this world is the professional wine snob. The person I abhor second is the amateur wine snob. And the most boring conversation you can overhear is the two talking together."

The man who used to begin his wine classes thus is one of the few whose assessment of an individual wine I would accept without question.

Almost all of us concerned with selling or advising on wine pay lip service to the notion that the only thing that matters about wine is how it tastes and whether you like it, but no-one has put this maxim into practice as enthusiastically as James Rogers. As a wine merchant and, later, educator and consultant, he has made decisions about individual wines purely on the basis of lining them all up and tasting them without knowing what they were or how much they cost.

"It was my father who told me always to taste blind. 'You'll make a fool of yourself for the rest of your life,' he said, 'but you'll know more than the next person'. Wine has certainly taught me honesty and humility."

A typical Rogers exercise was a lunch last year at which dozens of Britain's more respected palates were invited to taste seven whites and seven reds and put them in order of price. My favourite white, for example, was Umani Ronchi's Casal di Serra Verdicchio (about £6 at bigger branches of Sainsbury's and Victoria Wine) which I guessed was far more expensive than a perfectly respectable premier cru Chablis. I never realised how good it was until I had tasted it unsaddled with preconceptions about Verdicchio.

James Rogers could not have come from a more traditional background, and should by rights have become an affable but dozy pinstriped wine merchant. Raised in the leafy lanes of Surrey, he joined Cullens, his family's firm of licensed grocers, as a young, failed accountant in 1971. The next year he had "an amazing experience". He tasted La Rioja Alta's Vina Ardanza 1964 and realised that top-notch wine existed outside Bordeaux and Burgundy (a fact acknowledged by remarkably few of his peers 20 years ago).

On holiday in California in 1973 he could hardly believe the quality of wine made there (compared with the produce of Europe in its pre-technological age). Cullens customers were soon introduced to names such as Robert Mondavi and Christian Brothers.

He would always taste and then try to put a price on a given wine. "If I could still make a margin on it, then I'd buy it", was his philosophy, regardless of the French-or-nothing mindset then prevailing. Thus two years later Rogers was the first major stockist of a cheap Argentine wine (branded Franchette by its importers, presumably in the vain hope that less open-minded customers would not notice its outlandish origins).

Then in 1979 Rogers tasted the most extraordinary Cabernet Sauvignon bargain: a deep, fruity red that had all the punch lacking in so much cheap claret and was available by the tankerload from... Bulgaria, a place most customers would need an atlas to locate. "It was fascinating how that became so successful," remembers Rogers. "I told all the shop managers to tell their claret-loving customers to serve it in a decanter and see what their friends thought of it. They loved it."

Bottles from Australia and New Zealand followed in 1981 and Rogers became the first non-scribe to win an important award for spreading the wine gospel to the consumer - appropriately enough, from Marques de Caceres, an innovative rioja producer. And then in 1985 Cullens was taken over.

Since then Rogers has been a consultant for importers Enotria Wines and the Barnes Wine Shop, has written for Off-Licence News, devised wine courses, and has been very ill. At one stage he could not even drink but continued to make wine judgments with confidence using his nose. "I'm surprised more people don't taste on the basis of smell alone; it gives the last wine as fair a chance as the first." That reflects his philosophy towards both wine and illness fairly accurately.

But his tastes in wine continue to evolve, as of course does the world's wine output. "I have had a love affair with rioja, with New Zealand Sauvignon, with Australian Chardonnay (I remember a Brown Brothers 1978 that made me think that the Aussies were going to rule the world), but I have come back to finesse. You can't beat the French for sheer finesse, just as you can't beat the mystique attached to their labels.

"I'd love to observe two otherwise identical dinner parties where one lot of people is told they'll be served a first growth claret, and the other lot are just given it in a decanter without comment. I bet you'd get two completely different reactions." This is typical of someone who cares about what is inside each bottle rather than its external baggage.

In his wine merchant existence, Rogers may have argued that, compared with the nose, the eye is virtually redundant. But in the last year or so he has harnessed his own eyes to a camera to such good effect that an exhibition of his photographs is being held at Newton's restaurant, 33 Abbeville Road, London SW4 (081-673-0977). It opened last Monday and all proceeds go to a fund established by Rogers for those who nurse the terminally ill at St Mary's Hospital, Paddington, London.

Where the sun god rides the heavens

***Nick Haslam** visits India's east coast state of Orissa and the town of Puri, a major centre of pilgrimage for Hindus*

On a raised embankment deeply shaded with cashew nut and jacaranda trees, the road ran through emerald green paddy fields. Sari-clad women stooped among the waist-high rice, and white egrets perched on the backs of wallowing water buffalo. The air was a heady mixture of pepper flower, woodsmoke and dung.

Passing a road-side temple, where a smiling goddess sat wreathed in marigold flowers and incense, our driver brought the Ambassador car to a halt. Excusing himself, he stepped out to make a small offering and to receive a dab of red dye in the middle of his forehead from a small boy in attendance. "The goddess Batamangala," he said. "She protects travellers on the road."

Since survival on the crowded narrow road to Puri seemed to owe a great deal to divine intervention, I thought that Batamangala must be one of the more overworked goddesses in the immense Hindu pantheon.

On the east coast of India in the state of Orissa, Puri is one of the major centres of pilgrimage for Hindus who come to worship at the temple of Jagannath, Lord of the Universe and one of the most powerful Hindu gods.

The wide main street of the town was packed with a mass of cycle rickshaws, sacred cows and white-robed pilgrims, with staves and sleeping rolls slung on their backs. I got out and walked, passing road-side stalls piled high with small wooden replicas of Lord Jagannath, a simple doll-like figure with raised arms and wide staring eyes.

One group of pilgrims, small wiry men with aboriginal features who were happily bargaining for a set of cooking pots, told me they had just come from Nepal and had been more than a year on the road visiting holy places.

The temple of Lord Jagannath, a massive walled structure of grey stone, was surrounded by a labyrinth of small streets crowded with pilgrims, holy men (*sadhus*) and beggars. The main tower rose to more than 150 ft, from which long streamers floated languidly in the evening sky. Only Hindus may enter, and I was motioned to a building opposite, the town library, where a gallery overlooked the temple.

Below us, a constant stream of the faithful passed through a vaulted arch into the temple; on its ramparts monkeys gambolled and scratched themselves in the gathering dusk. Smoke rose from the many cooking fires inside the compound, where 6,000 temple attendants are permanently employed in building the huge cars which every year sally forth from the temple carrying the images of Lord Jagannath and his brother and sister down the main wide street of Puri.

The vast canopied cars, which have given the word *juggernaut* to the English language, are more than 50 ft high. They weigh 100 tons, need 4,000 men to move them, and are destroyed after the procession each year. Formerly, the faithful – worked up to fever pitch during the processions – would throw themselves under the wheels, to be sure of an instant passage to paradise.

Even today, my guide told me, people still mutilate themselves during the procession. Looking down at the heaving throng, it was difficult to imagine what it must be like when Puri fills with more than 500,000 pilgrims for the festival.

To escape the noise and confusion, we repaired to the South Eastern Railway Hotel for tea. Only half a mile from the temple, we seemed to step back into an older and more tranquil era as we entered. A long low building with wide verandas overlooking the Bay of Bengal, its walls are lined with hunting trophies shot by officers of the Raj.

A row of tall doors opens on to the trim lawn, giving glimpses of large beds swathed in mosquito nets. We sat on the veranda in rattan chairs under a fan and a turbanned waiter brought us tea, with fish paste sandwiches and saffron cake, a combination that brought back dim memories from childhood.

Behind us, a door led to the billiard room, and around a small porthole let into it at eye-level, bright red letters proclaimed the truculent command: "Wait for stroke." Woe betide, I thought, the careless flunkey who barged through that door at the wrong moment all those years ago. As we talked, bats flew overhead and the high cumulus hanging over the oily limpid waters of the Bay of Bengal changed slowly from lilac to purple as the sun went down.

All visitors to Orissa are duty bound to visit the temple of the sun god at Konarak a few miles up the coast from Puri. The temple, which rises from the dunes like a huge jagged molar, depicts the 24-wheeled chariot which draws the sun god across the heavens. It was built in the early 13th century and lay in ruins until 1904, when sand drifts around its base were cleared and the beautiful carvings of the chariot uncovered.

Also laid bare for the first time in centuries was an elaborate and highly detailed frieze of erotic carvings. The guide was rather coy about the religious significance of the enthusiastically coupling groups, and would only say that they were symbolic of the act of creation. The temple, which would once have been a place of pilgrimage to rival Lord Jagannath, was crowded with tourists.

Venerable grey-haired *sadhus* under black umbrellas struck poses and then demanded a few rupees. Large Indian families dawdled in the pools of shade cast by the buttressed temple, the women elegant in bright saris, seeming not to look too carefully at the frenetic activities frozen for centuries in rock above their heads, while their husbands and sons peeked and giggled, taking the occasional snapshot.

That afternoon was to be my last in Puri, and I decided to go for a swim. Nothing is done by halves in India, and I was escorted to the beach of the hotel by a porter carrying a sunshade, the guide – and a lifeguard. Nearby, fishing canoes were landing the day's catch, and I went over to see what they were bringing in. Fine-featured village women bargained hard with fishermen for the catch, which included shark and stingrays.

I asked if it was safe to swim. "Oh yes, sir," the lifeguard said. "Sharks are not available in shallow waters." We left the fishermen and returned to the private beach. Before entering the sea, I noticed the lifeguard standing and muttering with his hands held together.

"I prayed to Baruna," he told me as we plunged into the warm surf. "The sea god." Never, it seems, is the divine very far away in India.

■ *Nick Haslam's visit to Orissa was arranged by the India Tourist Office, 7 Cork Street, London W1X 1PB. Tel: 071-437-3677/8. Places to stay in Puri are the South Eastern Railway Hotel, Chakratirtha Road, tel: 06752-2063, where a double room and full board costs £13; and the Toshali Sands, Konarak Marine Drive, tel: 06752-2888.*

To be a pilgrim: these Hindus plan to worship at the temple of Jagannath, Lord of the Universe and one of the most powerful Hindu gods

Practical Traveller: Washington/Angela Wigglesworth

Purpose-built on a swamp

Washington DC was staked out of a swamp in 1790 by George Washington and was the first city to be built as a national capital. It was designed by a Frenchman with Paris in mind. The result: wide, tree-lined avenues radiating like a spike from the Capitol and White House, fountains, monuments, parks and no building that is taller than the dome on the Capitol.

In spring the trees are covered with cherry blossom; in December white lights glitter on black branches. It is a city of power politics and diverse neighbourhoods: Capitol Hill, Georgetown, Chinatown, multi-cultural Adams Morgan, exclusive Dupont Circle.

If you are exploring on foot, the street numbers get smaller as you near the Capitol. North/south streets are numbered, east/west have letters. There are Tourmobile sightseeing buses, old Town Trolleys – you can get on and off as often as you like – and Metrobus. (Metro information: tel: 202-637-700 for advice).

Metrorail (a one-day pass costs $5) is possibly the cleanest subway system in the world – some parts have carpets – and easy to follow. Taxis are reasonably priced. (A taxi driver from Sierra Leone told me he thought the US was still the only place where dreams came true, but advised against venturing into Washington's derelict eastern areas). There are riverboats, canal barges and helicopter flights.

Hotel rates are lowest at weekends, around holidays, during mid-winter and late summer. Many offer free rates for children. The Washington DC Convention and Visitors Association has lists of all categories of accommodation, and bed & breakfast (luxury and budget) can be booked through agencies, though there is a booking fee.

Fitness enthusiasts are well-catered for in several hotels. The ANA Hotel's superb health centre (2401 M Street, NW) covers 16,000 sq ft and is packed with gadgets; there is an exercise physiologist on the staff. The Capital Hilton has jogging routes in *its* centre, and 250 non-smoking bedrooms.

Washington has more than 50 museums and 70 art galleries, almost all of which are free and open seven days a week. The Smithsonian National Air & Space museum – nearly 8m visitors a year – is the world's most-visited museum, while the national museums of natural and American history are not far behind.

The White House, the only head-of-state mansion in the world open to the public without charge, is 19th in visitor popularity, while the Smithsonian's Anacosta museum comes to the aid of the museum-weary with a free bus which makes three round trips to its other museums on the National Mall.

Several new museums worth noting: the US Holocaust Memorial museum (Independence Avenue and 14th St, SW); the National Postal museum (City Post Office Building, Capitol Hill); the Smithsonian's Freer Gallery of Art (1200 Jefferson Drive, SW), which has a collection of work by Asian and 19th and 20th century American artists. The Department of the Treasury offers one-hour guided tours on Saturday mornings – a week's advance registration is required (tel: 202-622-0896), plus photographic ID on the day. Not new, but worth visiting, is the Pentagon (202-695-1776).

Information about entertainment can be found in the Friday edition of the *Washington Post* and the weekly *CityPaper*. Half-price tickets to most events, including sport, can be obtained on the day of performance from Ticket-place in the lobby of Lisner Auditorium at 21st & H Sts, NW (tel: 202 TIC-KETS for information.)

Brochures, free maps and advice are available at the Washington Visitor Information Center, 1455 Pennsylvania Avenue, NW, or tel: 081-392-9187 in the UK. Companies offering short-breaks and longer holidays in Washington from the UK include: United Vacations (081-313-0999); Kuoni Travel (0306-742222); British Airways Holidays (0293-615353); and North America Travel Service, which has offices in Leeds, Nottingham, Manchester and Barnsley.

Skiing/Arnold Wilson

Just watch this face

Thank goodness I had a bath this morning. A grown man is lying on the floor poking at my feet, his face millimetres from my right big toe. His name is Dion Taylor, he comes from New Zealand and his mission is to find a pair of ski boots that fit me. Since my feet – as I was once told – are like bricks, this is no easy task. We settle for Koflachs: the RC837 "trouble shooters".

"We bought this boot specifically for people who suffer from problem feet," says the Snow + Rock ski company catalogue, ominously. "To be honest I'd like to put you in Salomons, but Koflachs are better for your shape of foot," says Taylor, a top man at Snow & Rock, which is supplying equipment for the 1994 FT Round the World Ski Expedition, during which I will be skiing every day for a year.

Next to me, my skiing companion Lucy Dicker is having her feet prodded by another Kiwi, "Johnno" Carmichael. "Lucy, you've got very high arches and you pronate a lot," he says. "That means your feet roll inwards when you walk. We'll compensate for that with our High-Definition Sidas inner soles moulded to your foot."

The next stage is to have our boots foamed, and then equipped with Winter Heat pads – a bit cissyish, but a few comforts will not go amiss since we will be spending all of 1994 in these boots. Foaming makes them fit snugly but means getting them on and off for the first few days is a desperate struggle.

What else? A tough pair of Sorel boots for our evening walkabouts; an Ortovox Stratus rucksack and avalanche shovel; Pieps Dual Frequency avalanche transceivers; WRS Sports Med back-supports (corsets to you and me) and Gul knee sleeves for support.

Then there are Gator fleece-lined face masks; Casio altimeter, barometer and thermometer watches; Avocet altimeters; Ski Dometers to clock speed and mileage; security ski locks; and powder traces to prevent us losing skis in deep powder. Oh, and some skis: Salomon and K2; and Lutah and Degre 7 ski suits. With everything on, we resembled walking ski shops.

Next stop: the Bio-Mechanical Analysis Laboratory (BiMAL) at Hammersmith, West London, where physiotherapists to the stars, hold court. Will Carling, the England rugby captain, was working out a few feet away when we started training on a Cybex 340. It sounds like a death ray, but it is helping Carling sort out a problem hip and, hopefully, will help us.

You sit in what looks like a jet pilot's seat and a metal calliper is strapped around your lower thigh. This device, when linked to a computer, checks the strengths of your hamstrings, quads, and abductors and adductors and target any of these for strengthening or recovery from injury with a programme of weight training. "Very often energy is wasted by an inefficient style or limited by injury," explains Watson. "Cybex will pin-point any weakness in strength or symmetry and can even be used to diagnose certain medical conditions."

Lucy and I had mixed initial diagnoses – basically Lucy was supple and I was strong. "Your overall flexibility was extremely high," Watson told me. "But the strength of your stomach muscles could be better." Quite.

Lucy, meanwhile, showed "a very good range of flexibility around the pelvis and legs, with a full range of spinal movement. The combined strength levels of her legs was high and above twice her body weight, which was excellent. But her right leg is 40 per cent weaker than the left."

Outer fitness is being pursued: Lucy and I visited the Clarins Studio at Neville Daniel in London's Knightsbridge for what we thought would be a couple of tubes of suncream and ended up having a three-hour session with Sarah and Pamela, two Clarins beauticians, who administered head-to-toe massage, facials and a range of skin products for all weathers.

We do not use soap any more – soap is for the hoi polloi. We have Gentle Foaming Cleanser, Rich Treatment Cream, Eye Contour Balm and Gel, Multi-Active Day Cream, *Eau Dynamisante*, and even Skin Beauty Repair. And that is just for London. We have not even started with the mountain moisturisers and potions yet. Watch this face.

■ *Snow + Rock: 188, Kensington High Street, London. Tel: 071-937 0872. BiMAL Clinic: 7, Glenthorne Mews, 115a Glenthorne Rd, Hammersmith, London. Tel: 081-741-9711. Clarins at Neville Daniel, 25a Basil Street, London. Tel: 071-245-6151.*

Gardening / Robin Lane Fox

Digging in to stop the rot

Sharp weather concentrates the mind, and the past week raises questions of frost and damp. Despite appearances, though, the frosts have not been so lethal as weatherpersons inclined us to think.

I measure them by the scale of 1991 when frost at the same season damaged many of my half-hardy plants, including penstemons, beyond recovery. This year, their top growth is unscathed, partly because the previous weeks had been colder and their growth had slowed already. I had also taken a precaution, which I recommend.

Just before the freeze, I double-wrapped my marginals in that great newcomer to garden centres, Fibre Fleece. This is a thin, white drape, like a nylon scarf, which takes many degrees off the frost or wind while allowing water to pass through and reach the roots of plants underneath. Now, we can wrap up vulnerable plants without exposing them to drought or rot. Thanks to Fibre Fleece, I still have unscorched silver convolvulus, living diascias and last year's verbena.

Fibre Fleece comes in amply-priced packs for people with a few plants which they treat like pets. Those with bigger gardens should look for the large rolls at the back of the store: otherwise, they are available from such trade suppliers of garden goods as Joseph Bentley on Humberside. Owners of bigger gardens need to shop around.

I wish there was a similar fleecing that would cope with the problem of damp. Between now and March, this is as much of a killer as frost, but we hear less about it because its effects are more haphazard.

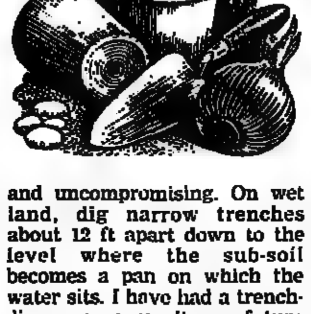
The thaw after a hard frost begins the problem. The frost upsets the fleshy leaves on plants like the blue-flowered agapanthus; but the lethal consequence is the damp, which then sits on the main crown and causes the plant to rot.

The other day, I read an expert who was saying that my latest pleasures, the late-flowering schizostylis, are not fully hardy in winter. What he means (an expert grower assured me) is that, sometimes, they will rot away in a wet winter or after a thaw. This weakness is widespread, not least among plants with silver leaves.

As the frost leaves us, how are we to cope with damp? On a small scale, we can dig grit or gravel round the roots and necks of alpines, pinks and silver plants when first we put them into the ground. Even now, we can usefully surround them with a layer of gravel to sharpen drainage until spring.

On a larger scale, I find the problem more perplexing. How, for instance, do you deal with endemic damp all over a flower bed? The only answer is to drain it; but I have always skipped the ritual chapter on herring-bone drains in the old gardening dictionaries. The *FT* forgot to check this point before engaging me, but in those days they had the late Arthur Hellyer instead. He had land-drained and herring-drained more square rods of soil than any of us.

What, then, does Hellyer recommend for beds which are turning into a swamp? His Gardening Encyclopedia (the 1993 edition is published by Hamlyn at the remarkably low price of £14.99 for 784 pages) is clear



and uncompromising. On wet land, dig narrow trenches about 12 ft apart down to the level where the sub-soil becomes a pan on which the water sits. I have had a trench-digger; as a result, my future carrot bed looks like road-works, with a pattern of trenches in which water is now sitting or trickling.

Perfectionists would now lay drainpipes at this level, but I am not entirely sure we have reached the level where they are most effective. The easier option is to fill each trench with better drainage: Hellyer recommends well-burned clinkers from a boiler because they are especially hard and angular. No doubt clinkers would solve the problem – but, out in the modern Cotswolds, they have given way to gas.

Certainly, a system of trenches is the answer to a poorly-drained area, but the cheapest possibility is to trust Hellyer and choose a faggot drain instead. This under-publicised option has much going for it. You find your faggots, lay them end to end in the trenches, cover them with turf (placed with the grass downwards), and then replace the topsoil to cover the burial. "Well-made faggot drains will remain effective for years," says Hellyer; in our gadget-minded generation, though, most of us probably have forgotten about them.

The question arises: where do you find a suitable faggot? Country residents will have no problems: they need only to cut bundles of brushwood from a hedgerow, choosing hazel wherever possible.

These bundles can be dropped into the trench, but you need to be sure the wood is not too soft or short of side branches. Then, you surface with turf and replace enough soil for a decent cabbage on top.

If you cannot fleece it, faggot it: damp, at least, can be drained away, whereas frost retains the unpredictability which caught us all short this week and makes winter survival such a hazard.

TRAVEL

Rioja: abundant food and religion

Once upon a time, in Spain's Rioja region, a young woman named Oria, wanting none of the male attentions she received, walled herself up – together, heaven help us, with her mother. The intensity of Oria's reaction has made her a specially-loved saint in the locality and one to be reckoned with when it comes to sexual harassment.

In fact, if you want a collection of unusual saints along with royal tombs and quirky cathedrals, brilliant scenery and monasteries galore, not to mention an endless supply of wines both red and white, Rioja is well worth considering for a car-borne spin in spring or autumn.

Traversed by the Camino de Santiago, or Pilgrim's Way of St James (leading on to Santiago de Compostela in far Galicia), the Rioja naturally has religious monuments in abundance. Being also traversed by the rivers Ebro and Oja – it takes its name from the latter – it has the benefit, as well as wine, of fertile ground and excellent produce. A good Riojan *menestra de verdura* – potage of vegetables – can knock spots off any Provençal ratatouille.

If I seem partial, please lay the blame on neighbouring Castile where you are hard put to find anything to eat except roast lamb and suckling pig. At all events, the much-traversed Rioja is open and civilised in attitude and happens to have some of the best asparagus and red peppers in the business.

Up in the north the marginally decrepit town of Haro, with *bodegas* bearing names such as Muga and L'opez de Heredia, is wine capital of the Rioja Alta, or Upper Rioja, the most-prized zone of this surprisingly small region.

You can visit the *bodegas* if you wish, though personally I have always found one winery much like another. More to my uneducated taste is a non-posh restaurant called Terete, up in the old part of town, which has a medieval tunnel with 250,000 bottles in it and a grand hall with a barrel containing 16,000 litres.

Haro also has an agreeable main square, featuring bandstand and cafés, a proper palace and an 18th century town hall with a road running under it. There is, however, an even better class of monument not far off in Nájera: and Nájera, being on the Pilgrims' Way *and* a repository of royal tombs, would do very well for the first stop of a tour.

You will find it where the river Najerilla has eaten a steep cliff into the cave-pocked, heavily striated, bright red sandstone of a grassy hill. The kings of Navarre made it their capital for a spell, popping the remains of their loved ones into a wide-mouthed cave.

The cave was extended outwards by a handsome church which in turn was equipped with a monastery where masses could be said for the departed. This was a very normal Spanish arrangement, considered a good investment both by a grateful church and by crowned heads who looked at their own careers and feared the worst.

As is often the way with Spanish pilgrim towns, there is a tight little cluster of ancient streets around one end of the bridge and, with Santa María la Real tucked under the cliff, Nájera makes a charming stop. Good little restaurant, too, named Los Parrales, upstairs in the Calle Mayor at No 52, with a nice line in white beans and clams – *alubias con almejas*.

But it is really the next place on my itinerary, San Millán de la Cogolla, which

***Adam Hopkins** recommends one of Spain's most scenic regions for a car-spin next spring*

fascinates me, and, I think, many others. Leaving behind the wide and open land south of the river Ebro, you climb and climb, through rolling, partly-wooded foothills, into the halcyon country of the Sierra de la Demanda: wide skies, well-wooded mountains and the gentle peak of San Lorenzo rising high above.

Here it was, way back in the 6th century, that San Millán took up his abode, between a pinnacle of rock and groves of stunted oak. Author of more miracles than you could fit into a book as fat as the Bible, the saint now lies, straight-nosed and curly-bearded, in green alabaster effigy, in yet another cave-mouth in a hillside.

The church built round this cave is extraordinary: two little naves lying against the hillside, separated from each other by horseshoe arches and with stonework in a medley of styles going back to pre-Moorish Visigothic. The place feels intensely ancient and spiritual and is also, beyond doubt, one of the loveliest corners of Spain.

This is the Monastery of San Millán de Suso. It was here, in a marginal note on a parchment, that the first written passage of *bone fide* Spanish was discovered along with the first known fragment of written Basque. This gives the place a pivot-like position in the evolution of language, a genuine thrill for Spanish visitors and ardent linguists.

The next saint on this tour is one of Spain's three Santo Domingo's (another of the trio founded the Dominican order). This particular holy man built a causeway, or *calzada*, for the Santiago pilgrims and lived to a staggeringly old age. He has a whole town named after him – Santo Domingo de la Calzada, naturally enough – and he is patron saint of the Spanish Society of Gerontology, as of the ministry of public works and its highway engineers. All have left decorative plaques on the railings round his tomb in the cathedral.

Here, too, you will find a splendid cock and hen, both purest white, cheeping and pecking away in a wooden balcony. It seems there was a German pilgrim who resisted the advances of the innkeeper's daughter – a kind of Santa Oria in reverse. To pay the young man back, she loaded his knapsack with the hotel silver, told the authorities – and had him hanged.

When the boy's parents returned from Santiago, weeks and weeks later, so the tale assures us, they found their son still swinging on the gibbet but otherwise alive and well. They rushed to tell the judge, interrupting his chicken dinner. "If it's true," he said, "these birds on my plate will crow." Which they did, so their successors, generation after generation, live out a comfortable life in the cathedral.

It seems to me entirely necessary to visit the cathedral and check its unusually saintly poultry – a short but lovely foothill drive from San Millán. The inn that features in the story is now a state-run *parador*: a comfortable and, in this case, ancient hotel, just open again after restoration. There is a pleasant dining room, a spectacular arched lounge and even two bedrooms with whirlpool baths.

■ The Rioja region of Spain, about two hours south of San Sebastián/Bilbao along the motorway, is easily reached by anyone driving into Spain via Bordeaux and Biarritz. A quicker method is to fly to Bilbao. Iberia, Spain's national airline, flies direct from Heathrow daily, and from Manchester via Barcelona, from £162 return (London tel: 071-830-0011). Then pick up a hire car in Bilbao (Iberia has a deal with Avis).

Least hassle might be to buy a package using the P&O car-ferry from Portsmouth to Bilbao, with hotels in the Rioja pre-booked: P&O Breakaway to Spain, tel: 081-863-3787. Two nights on ferry (there and back, 28 hours each way) with three nights in Spain cost from £185 per person.

■ Further information: Spanish National Tourist Office, 57 St James's St, London SW1A 1LD. Tel: 071-499-0901.

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Designer grunge

Lucia van der Post finds just what you need: a shabby sofa

Shabby has long been chic but seldom more than now. As fashion designers scour flea markets for inspiration, as Rei Kawakubo – the name behind the Comme Des Garcons fashion label – goes to infinite (and expensive) lengths to imbue even the newest of her creations with an air of faded antiquity, as dressing down is very much the order of the day, so, too, is dressing down the house. Grunge has hit the drawing-room.

For those who find their own grunge hard to improvise a company called Shabby Chic has some of the answers. Shabby Chic sells ... ready-shabbied sofas. Those of you whose sofas have over the years developed a shabby chic of their very own – dogs, children, buffet suppers – need read no further. Those of you who have (sob) sofas that still look shamingly new might like to hurry down to Shabby Chic.

I would not want to mislead you into thinking that just because chic has turned shabby it has also turned cheap – dear me, no. Shabby Chic sofas and chairs, homing in as they do on generosity of size, cost much the same as new ones.

What they offer instead is that air of having been bashed about, lounged on, snoozed in by generations of well-upholstered ancestors – with a Shabby Chic sofa, nobody would ever accuse you of being one of those upstarts who had had to buy their own furniture.

Shabby Chic's sofas all come covered in loose-covers of plain Jacquard cotton specially dyed to look faded. They are also pre-shrunk and pre-washed so they can just be tossed into a washing machine when the shabbiness finally deteriorates into squalor.

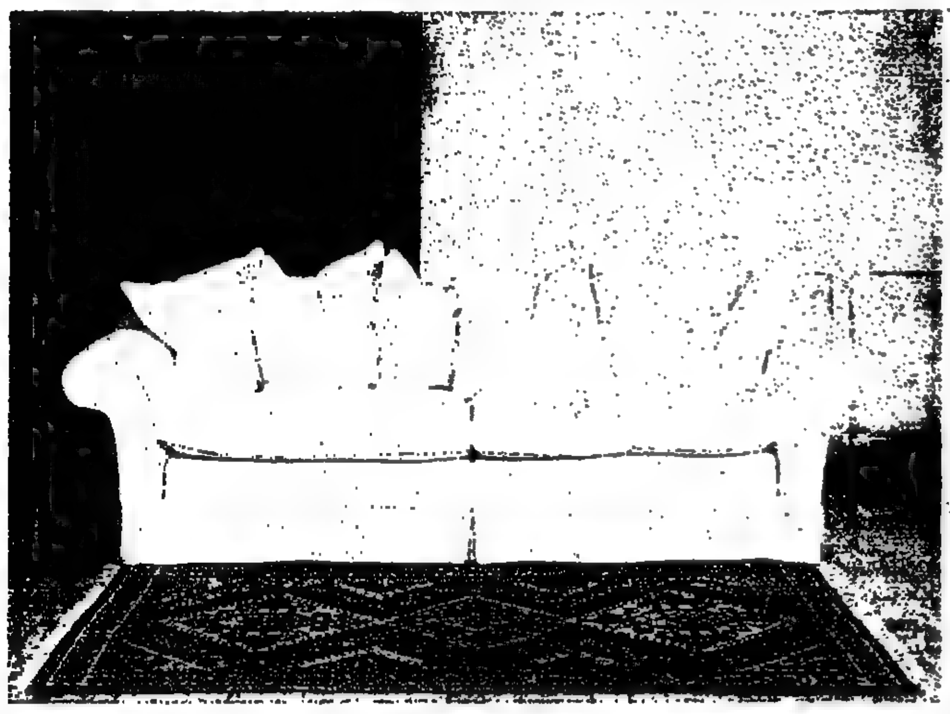
Shapes are plain, simple and traditional. Alicia, which is photographed here, is the largest, coming in two, three and four-seater sizes and costing £1295, £1394 and £1495, respectively, for the beech-framed, foam-filled version, including the scatter cushions. When sprung with horse-hair and made entirely from natural materials, the name changes mysteriously to Clarissa and the price rises spectacularly to £2,530 *without* scatter cushions.

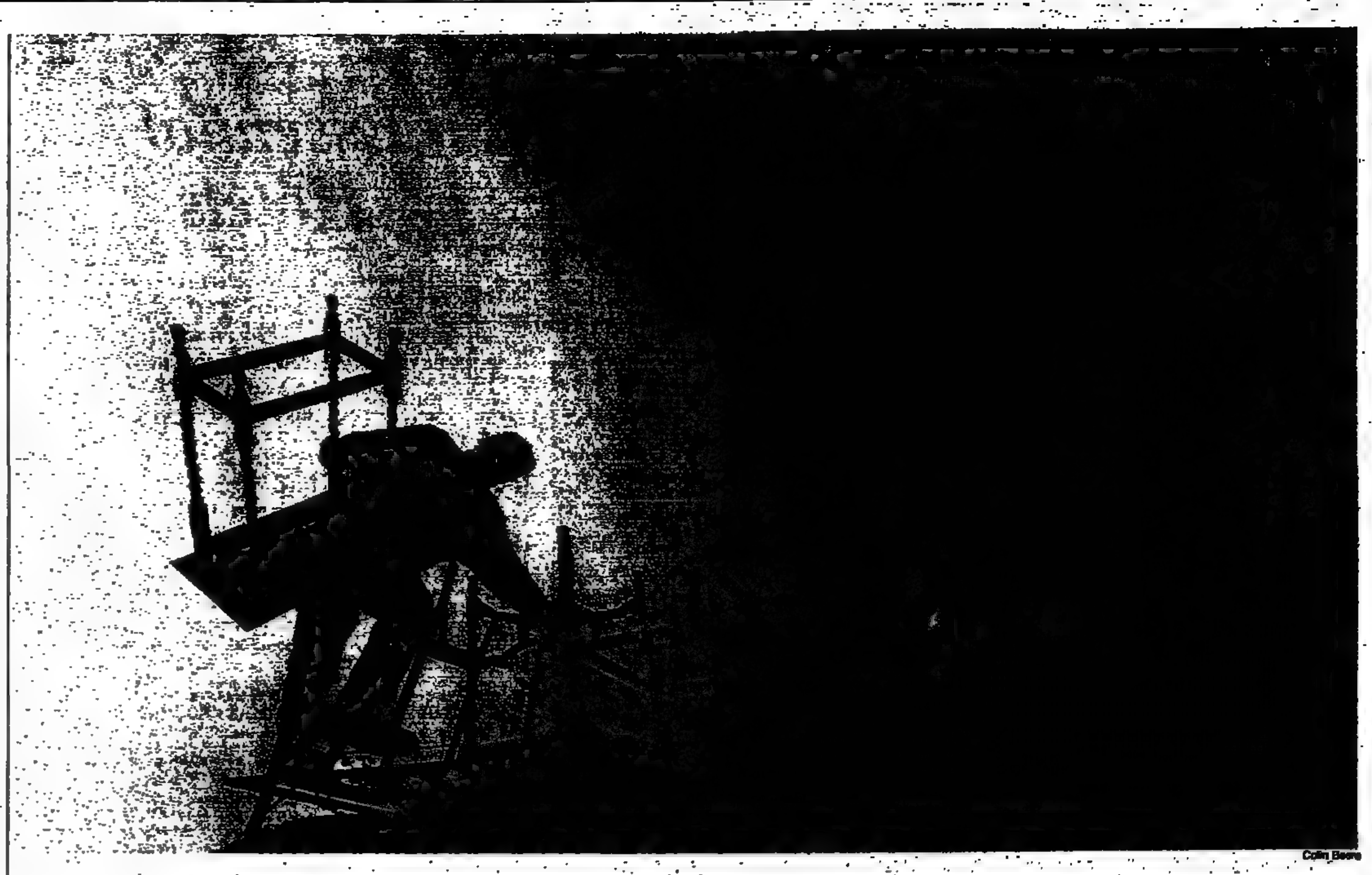
You might have thought, that the British would do shabby better than anybody else. I have to tell you that when it comes to proper shabby chic this first British version is beaten into a cocked-hat by its ultra-chic transatlantic counterpart (to which it is not officially related).

When I stumbled on Shabby Chic in Manhattan's cool down-town SoHo last year at first I thought it *was* a second-hand shop. Seriously faded floral covers, chairs with authentically lumpy seats and bunches of dried flowers that looked as if they had withered on the stem right there were were spread about a suitably tatty interior.

Just as I settled in for a good old rummage among the bric-a-brac it came to me in a flash – it was all new. Old 1980s-style glitz and glamour may have gone – but the demand for immediate gratification, it seems, has not. Even shabby can be provided instantaneously – at a price.

■ Shabby Chic is at The Plaza, 535 Kings Road, London SW10 OTZ, tel: 071-352-7768. It will deliver all over the country. A catalogue should be ready in three to four weeks.





Colin Beere

Table mountain: antique dealers prepare for one of the year's last big sales.

Treasures galore at the ultimate cash and carry

Tim Burt previews the International Antiques Fair at Newark, which draws thousands of dealers and collectors eager for a bargain

Next Saturday night hundreds of vans and trucks will roll on to a disused airfield in rural England in preparation for one of the last big sales of the year – the International Antiques Fair.

Dealers from across Europe will have been arriving since dawn and the cavalcade is expected to continue throughout the weekend as container-loads of antiques converge on Newark in Nottinghamshire.

Trucks will be marshalled into position on a runway where 50 years ago Polish pilots from 301 Squadron landed their bombers. Like those airmen, the dealers handle their cargo with care – antiques, like bombs, rarely survive breakages.

Unwilling to leave the valuables unguarded, many of the drivers will sleep in their vehicles until trading begins on Monday. They arrive arrive early because pole position can make the difference between clearing their stock and not selling a thing.

Although the fair does not open officially until mid-morning on Monday, most dealers start selling by torchlight around dawn. All manner of antiques from fine china to poor reproductions are disgorged on to the runway as the the vehicles – lined up 10 abreast and stretching for more than 1,500 metres – are opened up.

This, however, is only the queue for admission to the main selling area – the adjacent Newark and Nottinghamshire agricultural showground. The organisers do not like this unofficial runway trade, but they admit that it is a price worth paying because if the airfield was unavailable the congestion would stretch for 16 miles.

Among those queusing will be dealers from as far afield as Valencia, Bavaria and Naples. The reason is simple – turnover. Trade sales at the Newark International Antiques Fair outstrip all others.

This is cash and carry on a grand scale. More than 70,000 people attend the two-day fairs, which are held every two months. They are attracted by the prospect of finding bargains among the wares of thousands of dealers who prefer to do business here rather than in the aggressive London markets. Newark has also been able to rely on a geographical location close to the antique heartlands of East Anglia and midway between London and York on the Great North Road.

At the last fair in October dealers off-loaded antiques ranging from the sublime to the ridiculous. In one of the sprawling sheds normally reserved for livestock, a stallholder selling 18th century gold and silver took £25,000 in six hours. No cheques or credit cards were accepted on his 12ft trestle table.

At another stall, an 1850 ormolu table with inlaid boulle work went for £725. "It had lain around for a month without any interest, but went very quickly at the fair," according to the dealer. Outside on the runway, a church spire was sold before the fair opened; nearby a collector haggled over scrap from a famous battleship.

Ben Whittaker smiles at the memory of the spectacle. The young managing director of International Antiques and Collectors Fairs (IACF) knows a good business when he sees one. For him, the antiques trade is far removed from musty shops or lofty auction rooms. He believes it is fuelled by the international dealers who flock to Newark.

"We've captured a niche in the market. Before 1985 there were no big fairs, just regional sales or expensive London shows. We've changed all that."

The success of Newark has spawned other fairs and IACF now operates more than 20 around the UK every year. Earlier this year it attracted the attention of DMG exhibitions, a subsidiary of the Daily Mail & General Trust and the organisers of the Ideal Home exhibition. After months of negotiation, the Whittaker family sold their controlling shares in IACF but retained management control of each event.

The undisclosed deal has been estimated at £7m. DMG has got a bargain, according to Richard Roseman, a Massachussetts-based collector and regular Newark visitor.

"This is the world's best," he says. "In the US dealers trade off one another, so if you see something you like it often changes hands and goes up in price before your eyes. That doesn't happen here."

Roseman, a collector of glass figurines, is an ideal customer. "The more I spend, the happier I am. There is no budget limit." If he sees something expensive which takes his fancy, he can arrange the cash from an on-site bureau de change.

Other overseas buyers come ready prepared. "The Italians are back into furniture," says one dealer with relish. Drivers from Milan and Rome park their articulated trucks in an international compound on one side of the fairground. There, they exchange nods and glances with rival buyers from France, the Netherlands, Spain and even truckers working for a South Carolina consortium.

However, the Italians are the undisputed masters when it comes to serious buying around the stalls. They work in four-man squads armed with walkie-talkies. The buyer sees what he wants, radios the deal to his controller and, if agreed, a colleague counts out the cash. The other members then pack it up while the buyer moves on.

These squads are setting market trends far beyond Newark. Christie's, the auction house, admits it watches what they are up to. Paul Bartheud, managing director of Christie's auction house in south Kensington, says:

"We always go to Newark. It's a good way of monitoring the market. If the Italians are back into dark furniture we tell our people in Rome, and it sometimes prompts us to develop new areas for auction sales."

Next weekend the Italians will begin arriving again. They will start on the runway, weaving between the makeshift stalls on Vespa scooters which they bring for the purpose.

They know what to look for. Motley collections of old pub signs and buckets of cutlery are ignored. They head straight for the heavily carved furniture, the jewellery and the silver. "They are investing in quality," says Ben Whittaker. "They know there is a market for a bit of nostalgia, a bit of class."

A sale to suit

ANYONE who finds him or *herself* in London next Saturday might like to take note that one of the twice-yearly Menswear Designer sales is happening at the Kensington Hilton Hotel, Holland Park Avenue, London W14.

The women's version of the event has become something of an institution with many a stylishly dressed woman-about-town buying most of her wardrobe needs at one or other of these sales. What they have to offer is designer wear at very reduced prices. Most of the garments are either excess production or this season's designs that have been over-ordered. Everything on sale has to be at least half the shop price or less.

Next Saturday is a chance for the man-about-the-house to replenish his wardrobe. Natty Italian suits (no names allowed but suffice it to say that they come from the biggest names in the land), chic French ones, some English suits, starting at about £100, lots of casual wear, shoes, socks, shirts, jumpers, overcoats – all the staples of the male wardrobe.

The sale is on from 10 am to 5 pm. Entrance fee £2.

L v d P

Lucia van der Post looks at children's fashions and gift ideas . . . with a little help from her friends

Cute and classic from Eleanor House

Good taste for tiny tots

Strictly speaking, I suppose, clothes do not constitute a child-friendly Christmas present – unless it be the spot-on pair of trainers, the "must-have" jacket or any other essential part of the tribal uniform.

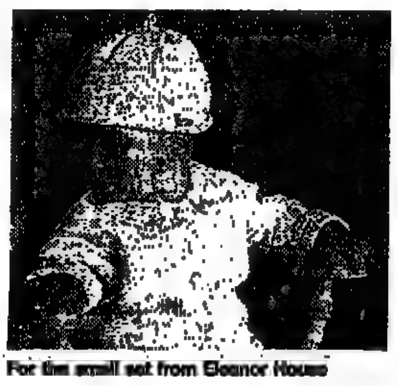
As a seven-year-old, my own tastes in clothing, indulged by my mother, ran to fairy tutus embellished with silver stars in which I tore around the neighbourhood on my bicycle (fortunately no photographic evidence survives).

Children's tastes today seem infinitely more sober. Good taste has reaped its harvest and at every price there are creamy Aran sweaters, crisp gingham shirts and rompers, sweet Peter Pan collars and infinitely desirable little Viyella dressing-gowns.

Those who deem Christmas a suitable moment to replenish a child's wardrobe will be pleased to know that all this exquisite good taste is available by mail order. Eleanor House is a small operation based in Gloucestershire which offers just a few, beautifully designed and made-up children's clothes.

Mostly knitwear (see the photograph of the jumpers above which range in price from £33.90 to £37.90; the matching hats are £7.90), all of it is wearable, desirable and also just that little bit special. There are enchanting navy and cream cardigans for the small set (from six months to two years for between £31 and £35), there are thick Aran cardigans and jumpers for children aged from two to 10 (price ranges from £32.90 to £47.90), some cheeky hats (£9.90) and some round-collared soft cotton shirts from France (£14.50). The catalogue is available from Eleanor House, PO Box 49, Stroud, Glos. GL6 8YA. (Tel: 0453-884192).

Wigglets, 50 Stockwell Park Crescent, London SW9 ODG (tel: 071-738-5124) sells charming nightwear – everything from brushed cotton tartan pyjamas (£22-£29) and dressing-gowns (£32-£41)



For the small set from Eleanor House

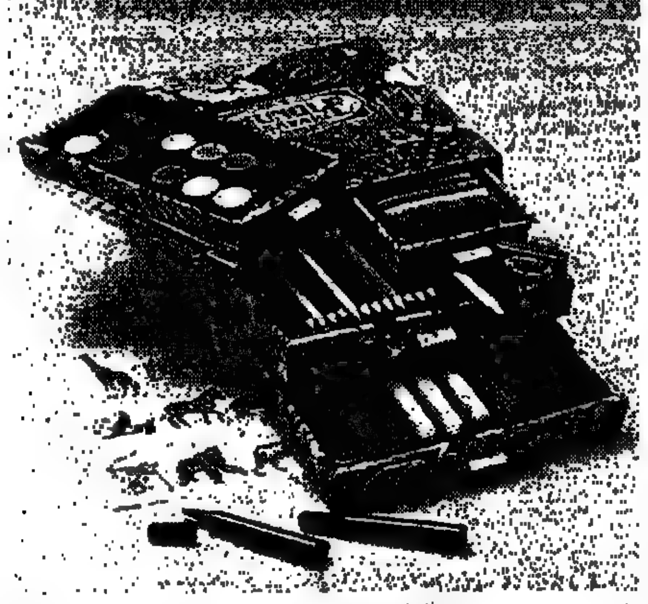
classical striped and piped cotton ones (£23-£29).

When it comes to toys and entertainment there are three two catalogues in particular that I think it worth mentioning. Firstly, there is Frog Hollow, 21 High Street, Pewsey, Wiltshire SN9 5AF. (Tel: 0672-64222). There is wide choice at almost every price range but it is particularly good at the cheaper end.

For older children and the catalogues brought out by the Science Museum and the Natural History Museum in London have some splendid ideas. The Science Museum catalogue includes books on a scientific note (*Can You Believe Your Eyes?* – more than 250 visual oddities for £8.95), pocket microscopes, the famous potato clock, puzzles, or a large telescope (£109.95) for stargazers. And there is much, more.

From The Natural History Museum there is a lot of what it calls "Dino-fun" as well as kits to make your own archaeological replicas (£19.95 for Jerusalem, £24.95 for Jericho, £19.95 for Qumram), a fine solitaire set (£49.94) and a solar-powered watch (£89.95).

Both catalogues are available from Innovations (mail order), Euroway Business Park, Swindon, SN5 8SN.



One of the best-value and nicest toys around is the jungle crayon factory box – everything the budding artist or scribbler might need. For just £15.50 there are four pull-out drawers, safari stickers and generous supplies of pencils, rubbers, crayons, paints, markers and pads for writing on. It is available from Barclay & Bodie, 7 Blenheim Terrace, London NW8 OEH. Tel: 071-328 7879. By mail add £3.75.

Equally good value in the same series are the versatile jungle-printed fabric bags – there is a zip-closing knapsack with three outer pockets (£12.50) and a book-bag which sports two outer pockets (which also costs £12.50) and can be carried on the back, shoulder or by hand. Postage for either costs £2 extra.

Bears are ever dear to a child's heart – not to mention adults. There are grown men, I am told, who suffer psychological deprivation when separated from their teddies. Let them suffer no more, send for Teddy Bears of Witney's catalogue (£3, from 99, High Street, Witney, Oxfordshire, OX8 6LY. Tel: 0993-702616) in which the teddy fan can find anything from a brand-new one (but you'd never know!) starting at about £23 to a limited edition replica of an ancient bear.

Now that ready-washed and slightly worn teddies (much the nicest sort) are all the rage, Teddy Bears has a range of ready-distressed bears which should please even the most stringent fan. The bears photographed here are from the German firm of Clemens – Wuzzy is at the top left, while Fuzzy is pictured top right. Both are 20.5in, come in limited editions of 100 and cost £145 each.

Rapidough seems set to become one of the cult games this Christmas. Launched at a rowdy press party at Groucho's, the trendy club in London's Soho, it was an instant hit, with grown men and women struggling to make model aprons, chandeliers, wheelchairs . . . you name it, they were struggling.

The basic idea behind it is that teams are given piles of dough and then draw a card which tells them what to model. The teams race to guess what the other team is trying to make. Points are awarded and participants take it in turns to do the modelling. It costs £24.99 from Hamleys, Regent Street, London W1 and Harrods, Knightsbridge, London SW1.

Santa, may I have a holiday in Hawaii?

If children of any age are on your Christmas list and you are stuck for what to give them, then it might just be worth listening to what the children have to say. Here, SUZANNA DREW-EDWARDS goes after insider information.

So what is it that children really want today? Have playground preferences for trainers and Nintendo moved on or are they still top of the list? Hamleys, where approximately £1bn is spent on toys and games in the run-up to Christmas, is putting the odds on Sega and Nintendo video games as best-sellers this year.

Traditionalists will be happy to know that Lego, Trivial Pursuit, Marvin's Magic and teddy bears also have a place in the top ten. But where better to go for advice than children? Their Christmas lists are surprisingly varied and, just occasionally, unobtainable.

Matthew Bushnell, nine years old.

An Airfix model, a calculator, Monopoly, a classical piano cassette tape, an exciting adventure book, a pair of slippers, a surprise.

"I can do Airfix models by myself now, although Dad does still help me a bit – I'm just finishing off a ship. I was given a calculator last year, but it wasn't very good because it broke the first time I used it. I want a tape because I'm learning to play the piano and my slippers have holes in, so I want a new pair to keep my feet warm."

Oliver Bushnell, seven.

A Backgammon set and a padlock.

"I've only got a pocket set of Backgammon and I want a bigger set. I want the padlock so I can lock things and keep them secret from my brother Matthew."

Winona Navin-Holder, nearly three.

Some fairy dust from Peter Pan, Tiny Tears, the Jungle Book video and a Beauty and the Beast T-shirt.

"I want Peter Pan to bring me same fairy dust so I can fly to Never Land and I want a Tiny Tears dolly because my friend Georgia has one and she lets me play with her."

Lucy Gosling, eight.

Computer games, a mountain bike, a science kit.

"I'd like some computer games because Daddy's just bought a computer. There's one called Flight Simulator where you have to land the plane, but Mummy says it's very expensive. I want a mountain bike because I've only got a BMX and it doesn't have any gears for going up and down hills."

Thomas Gosling, six.

"Can I have a Playmobile Lorry? And army clothes for dressing up and Scalextric and that's all."

Rebecca Monk, 12.

Money, a holiday, a colour television, a hi-fi system, a set of encyclopedias.

"I'd like some money to put aside in National Savings so I can buy a car when I'm older, but most likely I'd go on a holiday to Barbados or Hawaii. I want the TV and the hi-fi for my bedroom because I spend a bit more time in there now with friends."

Christopher Osborne, 14.

Guns and Roses CDs, an airbrush set, Sony Fontopia headphones, aftershave.

"I'm into art and one of my mates has an airbrush set

Winona Navin-Holder, nearly 3: Jungle Book video, fairy dust

Matthew Bushnell, aged 9: Airfix model, Monopoly, pair of slippers

which is really good. I'd like the headphones so I can listen in peace to my CDs."

Joshua Drewe, 8.

Jurassic Park Command Compound and an Avanti 2001 car.

"The Jurassic Park Command Compound has an electronic voice which gives out warnings. I want an Avanti 2001 racing car because it goes really fast and it has five gears."

William Mallett, 9½.

World Cup cricket, some shin pads for football, a Nintendo Game Boy and a mini-basketball set.

"My cousin has a set of World Cup cricket and it's really good. I want some shin pads because I play football at school and although I've never played mini-basketball before, it looks good fun."

Charlotte Mallett, 11.

Football boots, craft sets, horse books, clothes.

"I play football at school and at home with my brother William and I really like it. I already have a candle-making set which I enjoy and I'd like something simular. I want some books which tell you how to care for horses and some horsey stories because I've been riding for the last year and a half and for clothes, I'd like some jeans, although not flared ones, some body suits and a chiffon top. I can wear them to discos and friends' parties."

Alice Taylor, nearly four.

Goofy and a trip to the North Pole.

"I want Goofy to come on Christmas day and help me open my presents because he makes me laugh and I want to go to the North Pole to see Father Christmas and his reindeer, because that's where Daddy says he lives."

Caroline Prescott, 13.

A telephone line.

"I'd like to have a private phone in my bedroom so that I can ring my boyfriend and not have Mum and Dad listening in while I'm doing it and telling me how expensive the call is."

Alf and Bert Jones, 15-month-old twins.

Too young to speak up for themselves their mother, Chrissie Probert-Jones, says that what Alf and Bert really like are buttons – "they're addicted to them" – so they will be getting nice chunky Aran cardigans with big buttons to fiddle with. "They also love toothbrushes so much that they take them to bed with them. Bert has six teeth – all corkers and Alf has four neat ones. They like to have a toothbrush in each hand and tend to fight over them.

"They are fascinated by pens so they'll get a set with safe lids that are hard to get off. They also love noise and adore musical books such as *The Snowman* which a friend gave them last Christmas, so we'll get them another musical book. They love rattling maracas so we'll give them those.

"We're going to give them stockings with very little in them except masses of tissue paper which they can crunch up and envelopes that they can toy with. They are fascinated by electrical gadgets but they will not be getting any of those just yet. They're just beginning to like piling up bricks and to be able to fit things together so I think they'd like something like Lego or Brio.

"Alfie can run – he's been walking for two months already – but Bert just crawls but they both love trampolining so they'll get a mini-trampoline from John Lewis. I've given one to many of my nieces and nephews and they've all loved it."

Making the grade

Listing aims to protect buildings of merit. ***Gerald Cadogan*** *reports*

Listing historic buildings, so that they cannot generally be altered or pulled down without official permission, is already a fact of life for 500,000 owners, improvers and would-be demolishers, with more listings on the way.

Officially, there are three grades: I, II* and II. Grade I means they are "exceptional," II* that they are "unusual" and II "regular." In all cases, though, a grading provides the stamp of quality and of architectural or historical importance.

The rankings help with getting grants from local authorities or English Heritage (EH), which in 1992/93 paid out £33m to owners of listed buildings (£3m of that for cathedrals and £9.2m for churches), and £7.4m on conservation areas. These grants go usually to help with major rehabilitation but, for most owners, recurrent maintenance is the problem: painting, pointing, and clearing the gutters of leaves (expensive when the builder has to hire extra-long ladders).

Value-added tax of 17.5 per cent is an extra burden on such maintenance. This is odd when you consider that changes to the actual character of the building, which need listed building consent (LBC), escape the tax. Whether painting it an unusual colour or putting in a swimming pool, LBC means no VAT.

LBC does not come automatically, though. The relevant authority will probably need plans, charge a fee and check the application minutely. Major decisions may be referred to EH or such designated amenity societies as the Georgian Group or the Society for the Protection of Ancient Buildings. Neighbours and the public can object or suggest changes.

In the 1980s, the then environment secretary, Michael Heseltine, initiated a major re-listing project which revealed such hidden treasures as Odsey House in Essex (with work by the 18th century architect, William Kent). It rose from nowhere to grade I. But some areas still need updating. The city of Manchester awaits its new lists with 30-40 per cent more buildings, and Hull's list will be over 100 per cent larger.

By now, almost 10 years after it began work, EH has sharpened its ideology of listing and its criteria. Contrary to general belief, being listed does not mean a building cannot be changed. It does mean that changes must be thought through carefully so they do not detract from the architecture already there.

That is why LBC is needed – and, almost certainly, will be refused – for plastic windows. (Planning permission for them is not needed for an unlisted building; but in a conservation area it might be needed). It is the reason also why district councils share the decisions with EH and the amenity societies. In 1992/93, EH dealt with 8,627 LBC applications, 11.2 per cent up on 1991/92.

'Contrary to general belief, a listing does not mean that a building cannot be changed. But changes must be thought through carefully . . .'

With scholarship about the country's everyday architecture bounding ahead, spurred by the 1980s' re-listing, EH inspectors are more on the lookout for the medieval hall that might lurk beneath a Georgian facade. And if there is a sudden threat to an unlisted building of quality – such as demolition – today's greater knowledge means quicker decisions about whether to use an emergency procedure known as spot-listing.

It is, of course, better to pre-empt that procedure by deciding in advance about categories of building that missed listing in the 1980s because they were too recent or the field-workers found them hard to type. Textile mills in Greater Manchester and West Yorkshire are under scrutiny and, helped by recent research, EH has prepared a list of 60, from which 40 to 50 will get gradings.

While there is no point in listing all the surviving mills of the English north – there are 350 in Greater Manchester alone – some must be. They are grand buildings and an important component of the country's history.

Likewise, the British Aerospace offices in Comet Way, Hatfield, north of London, have been listed both for their architecture and for their links with the Tiger Moth, Mosquito, Vampire and Comet aeroplanes - history that could vanish all too easily.

In its thematic approach, EH is also looking at hospitals (helped by the property division of the National Health Service), cinemas and even pubs (in association with the Campaign for Real Ale).

With so many hospitals becoming redundant, many pose the delicate problem of balancing architecture with expediency. "Listing is fine if there is re-development," says William Filmer-Sankey, the Anglo-Saxon archaeologist who has become director of the Victorian Society. "It is less helpful if the building sits empty."

Holloway Sanatorium (grade I) at Egham, Surrey, is a particular worry. Nobody is interested in buying it without being allowed considerable scope for re-development. Meanwhile, it is being vandalised, water has come in, and it is falling to pieces.

Filmer-Sankey points out that the VS – also an amenity society – is swamped by LBC applications needing comment. But the system fails down with neglected buildings like the sanatorium because it is designed to react to deterioration – by serving urgent works or repair notices that can lead to compulsory purchase – rather than preventing it. He wishes LBC applications had to be as detailed as those for planning; that way, the unnecessary destruction of special features might be prevented.

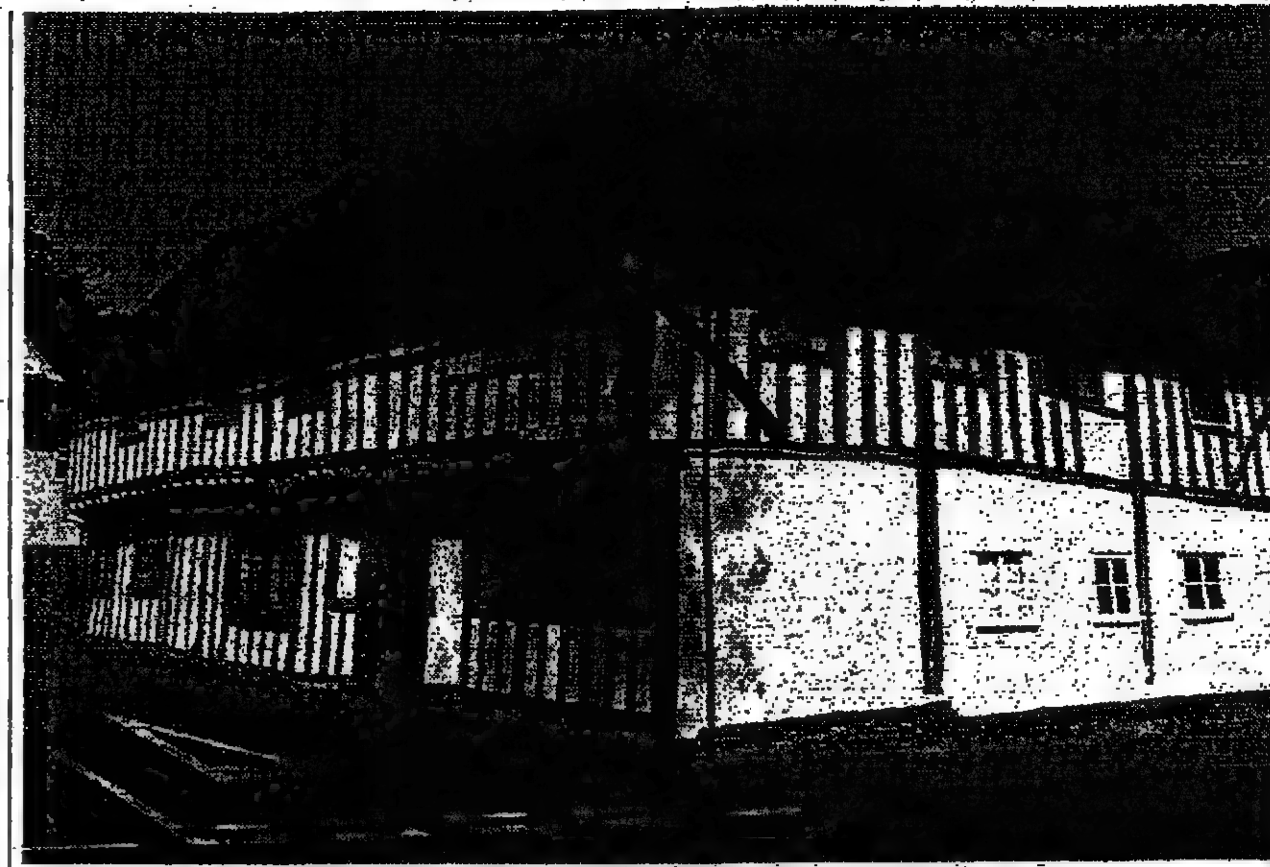
Most listed buildings date from before the second world war. Listing post-war buildings had a shaky start when the environment secretary of the time rejected several of EH's initial candidates. But one building that passed with a II* grade was Sir Albert Richardson's Bracken House, the former headquarters of the *Financial Times* near St Paul's cathedral.

Modern buildings become eligible after 30 years, or 10 years if they are outstanding and threatened. This year, schools, colleges and universities entered the lists. But private houses and commercial buildings are still few, as are churches despite Sir Basil Spence's Coventry cathedral (grade I).

The Cummins Engine factory in Durham, designed by American architects Roche Dinkeloo, is grade II* while the Royal Festival Hall on London's south bank rates grade I. Jacob Epstein's statue of Field Marshal Jan Smuts in Westminster, and Henry Moore's Three Standing Figures in Battersea Park, are grade II. EH wants to list more houses, including pre-fabs and some in new towns.

Any deterioration causes economic harm, and not just to the building. Buxton, in Derbyshire, is an extreme case. The decline of the 18th century Crescent (grade I) was damaging the success of other restoration schemes in the spa town until the Department of National Heritage served a repairs notice on the owner of a hotel that occupied half the Crescent. The hotel has now been sold to the local borough council, which was given a 100 per cent grant from the National Heritage memorial fund, while EH offered £1m for external repairs.

The other half belongs to Derbyshire county council which had begun repairs already. By a circuitous route, the Crescent's listing has brought new hope to Buxton.



This Norfolk house probably started life as a medieval hall

Cadogan's Place

In the steps of a king

There's a royal connection to one of the exceptional houses on offer

Grade I buildings number about 6,000 of the more than 440,000 buildings listed in England. What is for sale among these buildings of exceptional architectural or historical importance?

From the 15th century comes The Tudor Shops, a wool merchant's house in Lavenham, Suffolk, which originally was probably a hall-house (meaning one that started life as a medieval hall); £235,000 from Hamptons (0284-767338).

In Somerset, Poundisford Park was built in 1546 on a typically Tudor H-plan and still has its Tudor kitchen, built away from the house as a fire precaution. Its park was enclosed in Saxon times, and King John hunted deer there in 1208. Stags (0823-662822) invites offers over £600,000.

Two artists' houses from the 18th century in Hampstead, London, are offered by Hamptons: George du Maurier's 28a Hampstead Grove opposite Fenton House and next to Admiral's House in Hampstead village (£665,000), and Romney's House in Holly Bush Hill. This was used as assembly rooms in the 19th century before becoming the local Constitutional Club.

Architect Clough Williams Ellis (of Portmeirion fame) converted it back to a private house for his own use before the second world war, after it had been assembly rooms in the 19th century and then the Hampstead Constitutional Club. "Substantial offers" are invited.

In Devon, Bowden House near Totnes is of Queen Anne and Tudor date. It is also supposedly haunted, as are the six holiday cottages in the grounds. Fulfords (0803-864112) is selling this handsome property for £995,000.

For grade I and 19th century living, 1 Brunswick Square at Hove, Sussex (the quieter town next door to Brighton), is a classic Regency town house with a double bowed front; from Hamptons (071-493-8222) for an attractive £270,000. The square, laid out in the 1820s, is as smart and sophisticated as any of Nash's grade I London terraces round Regent's Park. In the capital, 5 Belgrave Square is a less ornate building on the north, sunny side of the square, a speculative leasehold development built by Thomas Cubitt as a speculative leasehold development on the Grosvenor estate in 1830.

A new, 40-year lease for this desirable address, with a ground rent of £5,000 (reviewable in 2013), costs £3.25m from Aylesford (071-351-2383) or George Trollope (071-824-8111). A mews is included.

Grade I is also for rent. Clenston Manor near Blandford Forum, Dorset, is available from January for three years as an assured shorthold, with the possibility of two more years being available.

The rent is negotiable at around £25,000 a year, through Savills (0202-887731 or 0722-320422). The house is Tudor, of knapped flint banded with green sandstone, but goes back to the 13th century. It has never been sold.

G.C.

BOOKS

Saviour of Spain – or brutal fascist?

***Robert Graham** on the first comprehensive biography of Franco*

Through a mixture of luck and cautious cunning, Francisco Franco Bahmonde emerged in 1939 from the Spanish civil war at the head of a victorious army and became Caudillo of Spain.

The next 35 years, during which he ruled Spain, have come to be seen through the prism of ideological opposites. Francoists claimed he saved the country from anarchy and communism, and then went on to lay the framework for a prosperous modern state with a stable succession.

Franco's enemies never forgave his civil war victory over the Republicans. To them he was a brutal military dictator who kept Spain isolated from the mainstream of modern Europe, retarding economic and social development by several decades. At his death in 1975 he was still type-cast as a fascist ruler.

However, Franco died in his bed at the ripe old age of 82 while still head of state, implying he enjoyed a degree of acceptance which his detractors were never willing to concede. Franco also solved the problem of succession by restoring the monarchy, something which today might allow the regime to be seen in a more benevolent light.

This is not the case with Paul Preston, an expert on contemporary Spain and professor of international history at the London School of Economics. In the first comprehensive biography on Franco, Preston says he will be remembered above all for "his ruthless conduct of the Nationalist war effort between 1936 and 1939 and the determination with which he pursued the systematic annihilation of his enemies on the left". At a secondary level he will be remembered "for the sheer duration of his survival".

Franco's achievements, he says, were personal and sectarian. He never made any attempt to heal the appalling scars left by the civil war. His Pharaonic monument to the dead, the Valley of the Fallen near Madrid, where he himself is buried, merely emphasised Franco's vindictive sense of triumph over his enemies. Thus he was no more than "a skilful manipulator of power who always looked to his own personal interests".

At over 1,000 pages, including footnotes and bibliography, this is a painstaking reconstruction from every available source. Unfortunately, Preston's manifest absence of sympathy for Franco colours the tone of his judgment – even if the general thrust of the judgments themselves are likely to stand the test of time.

Preston takes the conventional view of Franco's military skill, arguing he was a safe but unimaginative commander. He faults Franco's excessive caution for prolonging the civil war. But this overlooks Franco's belief that, in a fratricidal conflict, a clear victory was essential to ensure subsequent stability.

The biography is at its most convincing dealing with the tense period in 1940 when Franco was tempted to join the Axis powers. Franco cultivated the idea that he had saved Spain from involvement in the second world war. The reality was more prosaic. Franco admired Hitler and believed he would win. By backing Hitler, he anticipated the victor's spoils of Gibraltar and French North African possessions. However, Hitler had serious doubts about the value of Spanish entry into the war, and this gave time for Franco to reconsider. By then the tide had begun to turn and the Allies were offering economic aid; so Spain remained neutral.

FRANCO: A BIOGRAPHY
by Paul Preston
Collins £25, 1002 pages

In his negative assessment of Franco, Preston should have considered whether in fact Spain needed a period of repressed stability, like that provided by the Caudillo, to recover from the ravages of civil war and its long history of political instability. The civil war had in part been provoked by the advent of the republic in the 1930s and the introduction at a forced pace of a secular democratic state when there had been no such previous tradition.

Linked to this is the issue whether Franco, having come to power by accident rather than design, should have stepped aside. And if so, how and when? The earliest feasible moment would have been in 1946. Then concerted Allied pressure might have forced him to step down in favour of Don Juan as part of an internationally-negotiated settlement that included Spain in the Marshall Plan.

But Franco had by then acquired a taste for power and the monarchist solution was fraught with danger. The monarchy was not particularly popular, the previous monarch, Alfonso X111 having done little to distinguish himself off the hunting field and out of the bedroom. Don Juan himself was a weak figure with little appeal to the Republicans other than as a means of ousting Franco and his fascist supporters in the Falange movement. At this stage the army, the pillar of Franco's power, was dead against any reconciliation with the Republicans and there was still a guerilla problem inside Spain.

Thus Franco stayed on, a prisoner of his and the regime's fear of instability. But Franco always had the monarchist solution in mind and astutely coopted the monarchy by persuading Don Juan to educate his son, the future King Juan Carlos, in Spain.

Franco's fierce anti-communism meant that he could count on US and Vatican protection at the onset of the Cold War. Despite public anti-Franco posturing, no western government seriously challenged the status quo in Spain. In fact, the stability of the Franco regime (and that of his fellow dictator Salazar in Portugal) removed one post-war security problem for Nato. Meanwhile, Franco was flexible enough to tolerate a degree of internal opposition and was willing to listen to technocrats who persuaded him in 1956-57 to drop the economic policy of autarchy and begin to liberalise.

His enemies crushed, and only mildly molested by hostility, much of Franco's rule was surprisingly easy. As the years went on, he spent more and more time shooting and fishing, less and less dealing with the cabinet. Fortunately, he could depend upon the loyal services of Admiral Luis Carrero Blanco, who ran government business and shielded his senility. Franco is supposed to have had two in-trays on his desk – one labelled "problems solved in time" and the other "problems solved by time". He just shuffled paper from one to the other.

Franco emerges from this biography a dull, rather mediocre figure – the proverbial sphynx without a secret. Yet Preston has avoided psychological analysis, leaving plenty of room for others to investigate the formative influences on Franco – such as his small stature, his pious mother and dissolute father, the near-fatal wound sustained as a young officer in Morocco, his bossy and socially pretentious wife, Dona Carmen. This might show Franco was not quite as dull as Preston makes him out.

Last man of the Long March

***Robert Thomson** on the enigmatic career of Deng Xiaoping*

If Deng Xiaoping's health has been holding up these past few days, he has probably been watching soccer matches on satellite television, and adding bits and pieces to half-written, perhaps never-to-be-published articles about economic reform and Marxism. He has played a few hands of bridge, flicked through the newspapers, and granted short audiences to the occasional guest at a heavily-guarded courtyard residence.

Outside the walls of his compound, China is being redecorated. The cities are painted with bright strokes of neon, streets are lined with aggressive vendors selling clothes and gadgets from trestle tables that could be the beginning of a retail empire, and middle-aged Communist party officials running machine tool companies are discovering that mastering the market is more difficult than memorising the Four Cardinal Principles or the Five Principles of Peaceful Co-existance.

At 89, Deng is unable to comprehend the breadth of change inspired by China's second revolution, and he has given few clues to the breadth of his own character. Understanding Deng is much like his own description of the process of reform, crossing a river by feeling out the stones and, in his biography, Sir Richard Evans has touched on most of the stones peeking above the surface of the river.

But *Deng Xiaoping and the Making of Modern China* provides more insight into the making of modern China than into Comrade Deng Xiaoping, still generally described in the West by his unofficial but appropriate title of "paramount leader". In a sense, he is one in a long line of Chinese emperors, though that comparison understates the complexity of the Communist party leadership and its diverse networks of friendships, grudges and occasional alliances.

The biography gives a good sense of the survival skills that carried Deng through this political minefield, in which many of his revolutionary colleagues perished or were harshly punished by "comrades". China's leader is unassailable because he is almost the last man standing of the Long March brigade, and because economic reform, a product of the pragmatic side of his personality, has brought such obvious gains.

But Deng has been ruthless and he has been wrong. In the 1950s, he was behind the Anti-Rightist campaign that followed a party campaign to encourage criticism and debate, the Hundred Flowers movement. The flowers which bloomed were cruelly uprooted and the party's character was changed, as idealism and honesty were found to be less useful traits than cynicism and silence.

Not long after, Deng was in the chorus supporting the Great Leap Forward, which tragically sent the country's economy into rapid reverse at a still-to-be calculated cost of lives. And there was Tiananmen Square in 1989, the effects of which were obvious to television audiences and the blame for which must be shared among a two-parts brutal, one-part bungling Chinese leadership.

To understand these events, we need to be given a sense of the rock formations below the river's surface and Evans, at this time, is unable to do that and is reluctant to make broad judgments on the limited evidence before him. He is not helped by the Communist party's inability to come clean about its history or by Deng's few public statements of a personal kind. A doting daughter has recently written in Chinese about her kindly dad, Deng Xiaoping, but it is not the stuff of critical biography.

Daughter aside, the paramount leader has generally avoided a Mao-style personality cult, though billboards have appeared with a larger-than-life Deng urging the country onwards, and his few appearances are seen as heavily symbolic of something, even if the event happens to be a tour of a southern Chinese theme park in a golf buggy. The collected works of Deng are clearly argued, though made dull by the mandatory references to Mao Zedong Thought and other used concepts that were traded in long ago for a new market economy.

Deng's achievement has not been to provide a grand vision of China's future, but to apply nationally the local economic experiments which he could see were successful. Even the one liners for which he was famous, "seek truth from facts" and "black cat, white cat, the colour doesn't matter as long as it catches mice", were first said by someone else. As the latter phrase suggests, Deng's motivation was to build a strong China, not to create a workers' paradise, and nationalism gradually got the better of communism when it became obvious that central planning was crippling the country.

DENG XIAOPING AND THE MAKING OF MODERN CHINA
by Richard Evans
Hamish Hamilton £20, 339 pages

In his epilogue, Evans lists the economic gains, providing retail price index statistics and figures on taxation growth and gross national product, which, he indicates, provide evidence that democracy should grow more slowly than GNP in developing countries. As a biographer, and a former UK ambassador to Beijing, he is a touch too diplomatic in his final judgment, which he leaves to "the people of China".

The statistics are impressive, but China does need a vision, if not many visions, and the reluctance of Deng to allow more vigorous debate is a failing that will be remembered. Chinese society has always been more than the labour cost on an assembled and re-exported refrigerator, but only economic diversity is officially encouraged. In these years of upheaval in a great culture, when social comment is needed to provide a context for change, Deng Xiaoping has forced thoughtful Chinese to be very selective in their public speech or to be silent.

The liberals South Africa has left behind

As South Africa toils towards next April's election and majority rule – towards the "New Sarth Efrica" as Breyten Breytenbach puts it – some of those who fought the long battle for democracy are bowing out: the exiled Poet, the retired Politician and the discgraced Leader's Lady.

The Poet is Breytenbach, an Afrikaner who fell out with his country(men) when he married a Vietnamese in the heyday of apartheid in 1973. They were given a special dispensation to visit his country, a trip which produced *A Season in Paradise*. He became politicised and returned illegally on behalf of the ANC in 1975. He was jailed for seven years – which led to *The True Confessions of an Albino Terrorist*. He describes *Return to Paradise*, an account of a three-month tour of the country in 1991, as the last part of a triptych.

He describes a transformed country country which used to be his own but is no longer. "Why did I come back? ....to complete the incomplete, for annihilation, deathwish. Why will I not return to stay? Too late now. Foreigner here. Painted monkey. Bitter dreams..."

He is saddened as he zig-zags around the country, interspersing what must be diary entries with recollections of visits to West Africa, where in 1987 he helped to arrange the first meetings between South African progressives and Black Africa. Breytenbach says: "I am looking at the future and it chills me to the bone".

His host, friend and sponsor for the visit is Van Zyl Slabbert, the politician-academic who quit the whites-only parliament to the anger of his fellow Progressives in 1986. At the end they have an awful row. Slabbert shouts at him, "You make out as if you're the only ones who cares" It is the South African liberals' indictment of the exiles.

This is a fascinating, quiet, detailed journal, full of acute and witty insight and striking vignettes.

*

South Africa's two most famous women are "Helen" and "Winnie". Helen Suzman was an MP for 26 years and for half of them was the single truly anti-apartheid figure in the Cape Town Assembly. She was – and is – a wonderful woman, brave, formidable, indefatigable, witty, twinkling. She started out on the liberal wing of the United Party in 1953, split in 1959 to form the Progressive Party, soldiered on alone from 1961-74, and only stepped down in 1989, not entirely happy about the emergence of the present opposition Democratic Party.

Her autobiography is disappointing only because it does not go far enough. It reads like an extended version of one of her famous Report-Back meetings to her posh northern Johannesburg constituency – it describes the detail of her political career but holds back not just on personal things but on many other areas of delicacy: for example, her fury at Van Zyl's desertion of the parliamentary party is inadequately reported, and her thoughts about "Winnie" could surely have been developed now that she does not have to play the politician.

RETURN TO PARADISE
by Breyten Breytenbach
Faber £17.50, 224 pages

IN NO UNCERTAIN TERMS
by Helen Suzman
Sinclair-Stevenson £17.99, 310 pages

THE LADY: THE LIFE AND TIMES OF WINNIE MANDELA
by Emma Gilbey
Jonathan Cape £18.99, 328 pages

Helen Suzman has her place in the history books, and the affection of many of the leaders of the New Sarth Efrica, but there is a necessary argument about her role. Did she somehow help legitimise an utterly undemocratic government which was happy to let her travel the world abusing them? Was she right, Van Zyl wrong? And, more important, can we now see that her passionate opposition to sanctions throughout the 1980s was misguided? Or not? Perhaps she should be best remembered as a most valiant champion of the oppressed – "Our Lady of the Prisoners", as Breytenbach once described her.

*

The story of Winnie Mandela is a terrible tragedy, and Emma Gilbey has had the sense to tell it straight. As everyone knows, the pretty girl from the Transkei married the charismatic and much older Nelson Mandela just a couple of years before he vanished into 26 years of imprisonment.

The young Winnie seems to have assumed that she would deputise for him, but her qualifications to do so were inadequate, as was her character. She was very brave but – this is Ms Gilbey's central point – the police broke her in interrogation in 1969. When she was banished to the Free State in 1977 she was still very brave but by then something had gone wrong: she had been abused beyond the endurance of anyone but a saint. There followed drink and men and money mysteries and a violent temper which, when she returned to Soweto, were to lead to the notorious "Mandela Soccer Club" and a reign of terror which resulted in her house being burned down by her own people. Then came the kidnapping and murder of 14-year-old "Stompie", after which she lost most of her remaining sympathy and eventually came to trial.

Here was a nightmare for the ANC leaders in exile, let alone for her loving husband-in-prison. ANC leader Oliver Tambo buries his face in his hands: "What must I do? We can't control her. The ANC can't control her".

Winnie rapidly became a liability to the entire anti-apartheid movement. The South African government would have been thanking the good lord, except that they could hardly risk a long jail sentence when she continued to command the support of the unemployed and uneducated urban youth. In the end, in June 1993, the Appeal Court gave her a suspended sentence.

Nelson, out of prison in 1990, left her in 1991, by which time the new generation ANC leadership had taken necessary steps to sideline her. Was it the ANC's own fault? In Ms Gilbeys words, in 1980 "the movement needed a figure within the country who could act cohesively as a symbol to draw the elements of the 'Release Mandela' campaign together. Winnie came to be chosen because in the abstract she was the ideal choice. Here was someone in a tragic situation who was sympathetic and charismatic, who was courageous, outspoken and to top it all was the beautiful wife of their leader. On paper she was perfect. But she was not perfect..."

J.D.F. Jones

From Hangover to drunk

The financial anxiety that dogs most young writers of fiction ceased for Patrick Hamilton in his mid-twenties when he wrote those two spine-chilling plays, *Rope* and *Gaslight*. But in spite of this great popular success before the second world war, Hamilton was often in a distressed state, and the conditioned worsened as he grew older.

He came from an eccentric family most of whose members were writers. He inherited a history of alcoholism and instability, and he succumbed like his father to excessive drinking, half-ruining a brilliant career. Happily the royalties from his plays continued to flow for the whole of his life, and still do. He died in 1962.

The plays were ideal for filming by Hitchcock. The director rejected *Gaslight* when it was offered him by Selznick who had bought the rights but he eventually made *Rope* in 1948 with James Stewart. As an experiment he filmed it exclusively in one interior set with no jump-cuts, curiously weakening the macabre tension of the play. Sean French regards the film as a transitional work in the Hitchcock canon, preparing the way for *Strangers on a Train* made from a book by a novelist who rivals Hamilton in her portrayals of plausible con men, Patricia Highsmith.

Like the Victorian novelist Geoge Gissing whom he admired, Hamilton penetrated both the genteel and nether worlds of class-ridden Britain depicting the unclassed individuals, those torn between the two, he found there. In *The Siege of Pleasure* (part two of Hamilton's London trilogy, *Twenty Thousand Streets under the Sky*) he showed how easily a respectable, exceptionally pretty servant girl might become a hardened prostitute. Hamilton's fascination with street-walkers provided him with several narratives but, unlike Gissing, he stopped short at marrying one. His first wife Lois came like him from the cultivated middle-class and his second from the minor nobility. She too wrote novels.

Hamilton was a curious case of someone who since his boyhood in Hove, observed the world of drunks and psychopaths with clinical detachment, and reproduced it to perfection in his fiction; his masterpiece *Hangover Square*, a murder story, is largely set in a seedy pub in Earls Court during the period of Munich and appeasement whose mood it captures exactly. In his maturity, to the horror of his friends, Hamilton grew to resemble a saloon bar drunk in one of his early novels.

Sean French does not offer any particular explanation for Hamilton's personal decline. He focuses instead on the good work that Hamilton was able to do after he had undergone electric shock treatment and other forms of therapy. Finally French points to one surviving document that he considers may have effectively ended Hamilton's writing career. This was a letter in 1952 from Michael Sadleir, the head of Hamilton's publisher, Constable, giving his reaction to the novel later published as *Mr Stimpson and Mr Gorse*. It must be one of the most wounding letters any novelist has ever received on submission of a manuscript, and it certainly toppled Hamilton's always shaky self-confidence.

PATRICK HAMILTON: A LIFE
by Sean French
Faber & Faber £20, 327 pages

French rates the book when read today as "a masterpiece of comedy", a significant advance on its predecessor, *The West Pier*, set in blowsy Brighton like much of Hamilton's fiction, and he suggests that Sadleir, then in his mid-sixties was unable to see the merits of a novel "which struck so forcibly at his own social prejudices". Along with Bill Linnitt, the theatrical impresario, Sadleir had up to that point been one of Hamilton's greatest friends.

The biography traces the course of his relations with these two men. Male friendship was a source of strength to Hamilton throughout his life. Other friends included Arthur Calder-Marshall and John Davenport. His relations with women were always punctuated by catastrophe.

After the death of his father, a preposterous old tyrant, Hamilton continued to remain closely in touch with the other members of his family especially his brother Bruce, for many years a teacher in Barbados. Bruce published his own life of his brother *The Light Went Out* (1972), and preserved a family archive. French has burrowed in it fruitfully and also read all of Bruce's novels. He shows how Patrick would occasionally borrow an idea from one for a plot.

French does not stimulate any great desire in the reader to sample one of Bruce's novels but he makes a strong case for Patrick as a writer who needs to be placed firmly alongside Orwell and Greene in his accounts of the horrors of suburbia between the wars. The only work of Hamilton's in which this sympathetic critic finds no merit at all is his dystopian fantasy, *Impromptu in Moribundia*. It was published in 1939 when the writer was at the height of his fame and a marxist.

A photograph by Bill Brandt shows him a few years later in his smart flat in Albany, W.1 with Terence Rattigan for a neighbour. But even then when Hamilton seemed to hold all the glittering prizes in his grasp, there were seeds of disquiet germinating in his mind; he was like that character in *The Heart of the Matter* by another Albany neighbour and admirer. The man who "felt the loyalty we all feel to unhappiness, the sense that that is where we really belong."

Anthony Curtis

The thoughts of Hurricane Mel

*Mel Brooks gives his gale-force views on films, comedy and Hollywood. **Nigel Andrews** takes cover*

In hurricane-prone lands, as natives know, the way to keep your home intact is to open the windows a crack. That way the winds can sluice through, dissipating force and equalising pressure. The same principle applies when talking to Mel Brooks. He is one side of his Hollywood desk, cracking gale-force aphorisms. You are the other, opening parts of your brain you never knew you could ventilate so Mr B's surplus brio can hurtle through.

Brooks is Hollywood comedy's Force of Nature. He gave us *The Producers*, *Blazing Saddles* and *Young Frankenstein*. He makes movies that never heard the words "taste" or "restraint". And even when he has a bad run of brainstorming – his new film *Robin Hood: Men In Tights* (opening in Britain on December 17) marks a slight upturn after recent mishaps such as *Life Stinks* and *Spaceballs* – he is still the man with the loudest, quickest, freshest opinions on the movie business. No dithering, not even in response to my first question.

"Raisin toast! Mr Brooks had raisin toast for breakfast!" (This to test my recorder's sound level: it gets turned sharply down). Like many paid laughter-makers Brooks knows almost everything about comedy except – we begin with fundamentals – precisely where it comes from.

"Jokes" ponders the ruminative ball of energy, "go through a strange metamorphosis. *Time* is the important element. A series of events, some traumatic, some unperceived at the time, merge. And suddenly you're struck by a brand new idea that's surfaced from the 'mud' of your unconscious storage bin."

Brooks's own storage bin is large enough to contain all the mud a humorist could require. He was born to a large, loud family in Brooklyn. He gatecrashed world consciousness as a TV gag writer, sharing an NBC round table with the likes of Neil Simon, Carl Reiner and the man who was to become his neck-and-neck rival in movie comedy, Woody Allen. And he progressed through stand-up comedy to stage work and then to making the movies we know today: frescoes of lunatic ambition and largesse from blazing Westerns via teeming toga sagas (*History Of The World Part I*) to the all-human-life New York of *Life Stinks*.

"Ideas that appeal to Woody are to do with defeating death. His big obsession is immortality. Me, I'm interested in 'social flux'. I don't care a lot about the psycho-dynamics of a situation. But I care very much about why – socially, historically – more than 10 people at any time are swayed to do something together or are oppressed."

Hence the guest appearances in Brooks movies by Hitler, Torquemada and others. Hence too his messianic reason for going into comedy in the first place: "I thought the world was foolish and I thought comedy was the best way to express how foolish it was."

Like many comics turned film-makers, from the Allen of *Sleeper* to the Steve Martin of *Dead Men Don't Wear Plaid*, Brooks has found film-making itself a handy target for that onslaught on folly with his genre parodies, taking the mickey out of silver-screen tropes and clichés; and doing it all with a sneaking fondness. "It's like jazz, it's very satisfying. You take a tune everyone knows and you play riffs on it. In *High Anxiety* all I had to do was take Hitchcock and move him this way or that – a little to the left, a little to the right – and I got big laughs."

Give Brooks a broader target to pepper, though, and he is more likely to attack it off-screen than on. If there has been a disappointing side to his career, it is that his whirlwind opinions on larger contemporary topics than movie genres tend to be excluded from his movies. The follies of Washington; the Japanese 'invasion' of American industry and American cinema; his own Jewishness and what it means to him.

"Hollywood used to be run by the Jews. You know why? Because in Europe, Jews could not own land. They were used to being barred from owning banks or railroads, but they could be 'amusants'. 'Please, *amuse us!*' So when they came to America, naturally many gravitated to the entertainment industries.

"Then later, when Hollywood became established as a machine for commerce, the Jews were thrown out. Today the Japanese own it. (Phone rings in outside office). They're calling me now!"

Brooks: 'Hollywood today doesn't want to make good movies: it just wants hits'

So Brooks belongs to the Yellow Peril faction in Hollywood – those who think Tokyo is bad news for Tinseltown?

"I don't think the Japanese will control film-makers through censorship – that's the case argued by 'Would they make a film about Pearl Harbour?' paranoids. But they'll promulgate a concept that's very dangerous to the art of cinema. That's the concept of the 'hit'. Money. 'Do the books, do the books!' The Japanese want black ink not red in the ledgers, and lots of it."

But Hollywood always wanted that? "No. Wrong! The Sam Goldwyns, the Louis B. Mayers, they were out to break even, not make a killing. When they started out, they knew they were in this small retail business like groceries. Instead of selling butter and eggs they were selling Dick Powell and Ruby Keeler. There was no big money in it when they began, but there was great joy and – the one word that's missing today – pride! Sam Goldwyn would have all the chorus girls in a Danny Kaye picture dressed in silk! You never saw their underwear, but he said they *felt* good, so they performed better.

"The studio bosses were happy if they broke even and made a modest profit and could keep what was the glory of those days, the cadres of talent. Fifty actors, fifty writers, fifty directors in one studio: mix 'n' match!

"Hollywood today – this is the lead of your article! – doesn't want to make good movies or try out new things, it just wants to make hits. People think *Home Alone* is a good movie because it made \$500m worldwide. They think people enjoyed it because it was good. But people enjoy things that are easy to assimilate, easy to digest, they enjoy a lot of bland crap. And the dynamic stuff, the daring, irreverent stuff, that puts them off!"

As Hurricane Mel blows through, I open more parts of my brain to control damage. He is not quite right: The Golden Age moguls made a fortune not a 'modest profit'. But he is not quite wrong either. Obsessive book-keeping and cautious, sequel-prone production slates have become prevalent in parts of Hollywood today: with only the safety valve of TV and video allowing, as Brooks observes, some of the pressure to be released from the inflated importance attached to the big-screen hit.

"There is this heaven called video! My last picture *Life Stinks* had this Jekyll and Hyde history. It did well in Europe, and Fox who distributed the picture over there send me flowers every day. It did badly in America and Metro-Goldwyn-Mayer try to run me over: every time I leave the kerb, this big car with an 'MGM' number-plate bears down on me.

"So video has become our chance for an afterlife. For me, seeing my movies on video is like going back to TV where I began. On the small screen people see the humanity again, the little gestures."

Little gestures in a Brooks film? Well, perhaps. But what we treasure them for is their rudeness and flamboyance. Brooks himself, in more Brooksian mood, admits that his flair is for the OTT: "In the cutting room a take I didn't like on the set, because it was over-the-top, I'll almost always use because it was dizzier and more inspired, and the others are too tame." Tameness and formula are the things he is quickest to chastise in most screen comedy today: especially the kind that grew out of the safety-first TV sitcom tradition, from *Roseanne* to *The Cosby Show*.

"TV viewers, especially Americans, are brainwashed into responding to rhythm not thought. 'De woman wasn't *sick*!' '*What?*' 'De woman was *d-e-a-d*!' Studio laughter! They laugh when they're told to laugh. 'Where did she go? Did she come in there?' 'Come in *there*? She came in *t-h-e-r-e*!' Studio laughter! That's not comedy, that's like a doctor hitting you on the knee to get a jerk.

"In movies we work in a different way. We work on improvisation and experiment and risk. We work on a lovely marriage of thought and emotion and physical activity."

So what was the next product of this wedded bliss? (We were talking shortly before Brooks officially announced his Robin Hood project). "I'm waiting for something to come up from the dark ooze of my unconscious. Something that speaks to me about the human condition and how to attack and celebrate it. Hatred is always a good starting point. I hated racial prejudice and we got *Blazing Saddles*. I hated poverty and we got *Life Stinks*. I hate politicians, so maybe there'll be a political comedy from me next. Something about the rich taking from the poor, the poor taking from the rich. Wait!" – mock-dramatic Brooks pause with hand held high as if struck by shining vision – "I see a tall, green man wearing tights . . ."

A gift to posterity

Andrew Clark on Paul Sacher, musical pioneer and patron

The house has an elegant stone facade, one side overlooking Basle's cathedral square, the other the River Rhine. Inside, the design blends modern practicality with clean, classical lines. No expense has been spared. In the reading rooms, musicologists study autograph scores on microfilm. In the vault-like safe, librarians methodically sift through manuscripts. The Paul Sacher Foundation, inaugurated in 1986, is going about its work.

This is Paul Sacher's gift to posterity. The 87-year old Swiss musician, who conducts the London Mozart Players at the Queen Elizabeth Hall next Wednesday, has spent his life commissioning and performing new music. Now he has gathered it together as a 20th century archive. The starting point was his own priceless collection of scores, bolstered by his purchase of the Stravinsky estate in 1983. Then came the complete Webern manuscripts, followed by a steady flow of material from Berio, Birtwistle, Boulez, Dutilleux, Henze, Ligeti and others. The collection grows every week – negotiations are currently under way to buy John Cage's estate – and will soon need expanded premises. The only major gaps are Schoenberg and Berg.

Paul Sacher is a living legend. The son of a Basle gardener, he studied violin, founded the Basle Chamber Orchestra in 1926, married the widow of the head of the Hoffmann-La Roche chemical company, and used the family fortune to commission more than 200 works – among them Bartok's *Music for Percussion, Strings and Celesta* and other modern classics by Hindemith, Honegger, Martinu and Frank Martin. These compositions were not simply ordered and paid for: in many cases, Sacher befriended the composer, put the spacious surroundings of his country home at their disposal, offered encouragement and watched the work develop. Then he would conduct the first performance (and often the second and third . . .). How different from today's cultural sponsors!

Perhaps it is his progressive, open-minded spirit that has kept Sacher so young. Another source of vitality is his 12-year old son, whose mother – a young medical scientist – died of cancer in 1989, a few months before Sacher's wife died at the age of 93. He still leads a remarkably active life. Although he played a key role during and after the war in the growth of Hoffmann-La Roche (in which, thanks to his initiative, his family gained a majority shareholding), business interests now play second fiddle to the foundation. He receives guests in his apartment at the top of the building, where the rooms – decorated with paintings by Picasso, Chagall, Modigliani and others – bear testimony to his wife's lifelong patronage of 20th century art.

Did he have a plan, a mission, from the start? "I knew exactly what I wanted. I had my own orchestra at school, I wanted to be a conductor. I wanted to do old music, I wanted to do new music, I wanted to do unknown things – anything but the pieces which were repeated over and over again at concerts. I wanted to hear the voice of our time, how a man living today composes music. For me, the most important musician is the composer.

"When I started the Basle Chamber Orchestra, we had no money. That didn't stop me inviting Stravinsky and Hindemith to come and conduct their music. If I asked a composer to write a piece, he immediately agreed. He knew me and my orchestra, the quality and competence, and said yes with pleasure. Today's composers have lists of commissions and not enough time to fulfil them. In 1926, there were hardly any chamber orchestras – today there are hundreds. When I started, radio had only just begun; today, you only need go to a music shop and buy the record for yourself. It's a century of change."

Sacher's pioneering work in early music – he founded his own original instrument ensemble, Schola Cantorum Basiliensis, in 1934 – is almost forgotten today. His wealth has also tended to overshadow, and even obstruct, his career as a conductor. But no-one has ever doubted the quality of his musical judgment. The number of his commissions which have stood the test of time speaks for itself. And he is still commissioning – the latest being a violin concerto by Wolfgang Rihm, to be premiered next year by Anne-Sophie Mutter.

It was Sacher's influence which turned Mutter's attention to contemporary music. "I told her 10 years ago – 'listen darling, you can't go on playing the Romantic classics for ever, it's boring. You're a young woman of our time'. We started with Stravinsky. She understands every style, she's a sweetheart and a fantastic fiddler."

He is convinced that understanding contemporary music is only a question of generation, and that today's modern music will be popular tomorrow. "Boulez is now at Salzburg. He conducts Boulez, and the hall is as full as it was with Karajan. We have modern composers who are first class people – Carter, Lutoslawski, Berio. I don't see any crisis. Music will go on developing – as it always has."

Silja's mature Czech monster

***Andrew Clark** reviews Janáček's 'The Makropoulos Case' in Vienna*

After spending most of her career in German roles, Anja Silja has found a new lease of life portraying the mature female monsters of Janáček's operas. First came Kostelnička in *Jenufa* at Glyndebourne and Covent Garden. Now she is focusing on the grandest and most pathetic of them all – Emilia Marty in *The Makropoulos Case*, which she has just sung in Vienna and will repeat at Glyndebourne in 1995. Her stage magnetism is perfectly suited to this opera, so much so that the new production at the Volksoper turns out to be even more of a one-woman show than usual.

Pably

Anja Silja: her stage magnetism turns the first ever production of this opera in Vienna into even more of a one-woman show than usual

Anyone looking for a summation of all Janáček's previous female portraits – which is how some commentators view the heroine of *Makropoulos* – will be disappointed, for Silja avoids extremes of pathos or the grotesque. Instead, we get a distillation of the histrionic skills which have made her such a charismatic singing actress these past 30 years: the erotic power of a Lulu, the scheming calculation of an Ortrud, the self-destructive passion of Elektra.

If that sounds more than a touch Germanic, it suits the expressionist style of this German-language production. The character is established before she sings a note. The wide-rimmed black hat and fur coat announce a *grande dame*, the flowing red wig reeks of temperament and the leather trousers suggest this fictional 337-year old is real and young at heart. With her tall, slim figure, Silja carries it off in style, her stage manner a mixture of purposeful stillness and dynamic gestures. Small wonder everything around her pales into insignificance.

Act two produces some authentic diva behaviour, and after the subsequent humiliations – all graphically realised – she sings the closing monologue from the front of the orchestra pit, dressed in nothing more than a long black underskirt. What saves it from melodrama is the giant conviction she invests in every word. The voice is still strong, if not perfectly steady, and she is more than a match for Janáček's terse declamatory lines.

She deserves better support from her production team. Under Isaac Karabtchevsky, the Volksoper orchestra was poorly balanced and slack. The staging devised by Christine Mielitz and her designer Reinhard Heinrich looked like a bad night at the Komische Oper in Berlin, where both are based.

The decor was skimpy and poorly lit, consisting of little more than interchangeable blocks and ill-defined projections. There was too much movement, much of it needlessly brutalist. As a result, the Volksoper ensemble made little impact. Kurt Schreibmayer turned Gregor into an ardent wooer, Wicus Slabbert made an unusually sinister Prus and Ernst-Dieter Suttheimer's Hauk was a beautifully eccentric sketch.

Discounting visits by Czech companies from Brno and Prague, this is the first staging of *The Makropoulos Case* in Vienna. *Broućek*, *Vixen* and *House of the Dead* have already been given at the Volksoper. *Jenufa* and *Katya Kabanova* are in the Staatsoper's repertory, and *Osud* was given a concert performance last year. But judging by this production, the Viennese approach to Janáček is still somewhat cavalier. Thanks to Anja Silja alone, Volksoper audiences have seen what *Makropoulos* is really about.

Concert / **Richard Fairman**

LSO free to be imaginative

While the other London orchestras find themselves caught up in a frantic race to stay alive, the London Symphony Orchestra is in the luxurious position of having time to think about music. A glance over the autumn season just coming to an end reveals a higher proportion of imaginative programmes than with any of its rivals.

In order to please the captains of the arts, each of the orchestras has taken on board a young maestro who can hoist the sail for 20th-century music. At the LSO this is Kent Nagano, who is looking a well-informed choice. At the time of his appointment as Associate Principal Guest Conductor (how complicated titles get when everybody has to be called something) he was on the brink of success; now he has definitely arrived.

It is a matter of taste whether his concert on Thursday counted as imaginative, or just bizarre. Works by Boulez and Mahler found themselves coupled with Paganini's First Violin Concerto, a showpiece for Sarah Chang, the highly-publicised teenage violin virtuoso. The result was like looking down the wrong end of a telescope. The majority of the audience (it was a full house) had turned up to focus on the tiny musical stature of Paganini.

Very young musicians often face criticism if they fall short in interpreting great music, but there was no danger of that here. The Paganini is frothy, insubstantial stuff and Sarah Chang was well ahead of any problems it might have posed. Her personality as a performer is all confidence, far more outgoing than the not-quite-so-young Midori was when she first came on the scene.

Chang attacks the most difficult portions of the music with fearless confidence and makes a remarkably large sound for one so slight. This concerto abounds in thirds, sixths and octaves, even in harmonics, with which she dazzles quite effortlessly. Most talented 12 year-olds would be happy to get one note so well in tune at a time, let alone two.

While he was looking after the accompaniment, Nagano probably had time to cast his mind back to Boulez's short *Messagesquisse* for seven cellos or think ahead to the challenges of Mahler's Fifth Symphony. As both were being recycled from a concert the week before, rehearsal time had presumably been sufficient for Nagano to get the sharpness of ensemble that he wanted.

The Mahler was a virtuoso performance, decisive, big in scale, loud, not unlike Tilson Thomas (former LSO Principal Conductor) in the same symphony. Each made his case with panache, but surprisingly it was the otherwise more cogent Nagano who took the Adagietto too slowly and cossetted it to excess. The finale was also pulled around, but climaxed in a blaze of glory. At least those who had come to see Chang stayed to the end.

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John Barr

Andrew Wilde as Don Juan in the Citizens Theatre excellent new production by Robert David MacDonald

Don Juan is at home in Glasgow

Alastair Macaulay spends a happy evening with Goldoni at the Citz

Which city, after London, is Britain's leading city of theatre? The answer is Glasgow; but few people outside Scotland realise this. In the Citizens Theatre (with three auditoria, since last year), the Tramway, the Kings Theatre, and the Theatre Royal, it has both quality and quantity. What's more, the Citz and the Tramway combine to give Glasgow a range of styles so broad and so European that any other British city, London included, should envy it.

The Tramway has a particular record for bringing Glasgow some of the most important European and British theatre. This is the one British locale to which Peter Brook brought his *Mahabharata*, *Carmen* and (earlier this year) *Pelléas et Mélisande*; this is where Howard Barker's *The Europeans* had its premiere earlier this year; and this is a focal point for the four Romanian theatre productions currently or recently touring Britain. The theatre/dance/music company Second Stride has just given here two performances of its new *Escape from Sea*, seen in London two weeks before; and in February Scottish Opera will give David Leveaux's new production of Britten's *Turn of the Screw* here.

Glasgow, like Edinburgh and other British cities, has also its share of shows that London has seen or will see. Peter Hall's new production of Pam Gems's *Piaf*, with Elaine Page, which the West End has yet to see, is running this week at the Theatre Royal. And Hall's 1992 staging of Wilde's *An Ideal Husband*, which ran for six months on Shaftesbury Avenue, recently came to both Glasgow's Theatre Royal and Edinburgh's King's Theatre. (Dulcie Gray and Michael Denison, in their bit roles, are still clinging on from the original cast – and now promoted to star billing, just above Kate O'Mara and Angharad Rees.)

Then there are productions that London does not see, but which tour Scotland. TAG Theatre's *Scots Quair*, which ran successfully throughout the Edinburgh Festival, has recently played at the Citizens Theatre; and the staging of Jakob Lenz's *The Soldiers*, which Philip Prowse directed and which opened during the same festival, is a Citizens production which later transferred to its Glasgow place of origin. Glasgow also gets to see productions from Edinburgh theatre, such as the Royal Lyceum's *A Midsummer Night's Dream*, the second production by the Lyceum's artistic director Kenny Ireland, which recently transferred to Glasgow's Theatre Royal for a fortnight.

But the two contrasting forces that probably do most to define Glasgow theatre are its old music-hall tradition on the one hand and "the Citz" on the other. The music-hall tradition, whose influence percolates through to the comic roles in the Edinburgh Lyceum's stagings of classic drama, erupts in the pantomime season. (At a time when trad panto is fading from the West End at Christmas, various Glasgow venues this December will offer productions of *Robin Hood*, *Dick Whittington*, *Jack and the Beanstalk*, *Beauty and the Beast*, *Snow White* and *Mr McScrooge*.)

The Citizens Theatre is a source of another kind of vitality, enlarging Scottish theatre rather than carrying on old Scottish or English traditions. Since 1969 it has built up a complex reputation, a reputation that includes sexiness, glamour, freshness, irony, camp, daring and more. It has presented classics in radical new versions, introduced unknown European classics to Britain, developed new ways of adapting famous works of literature to the stage, and presented lively new plays.

The Citz Christmas non-pantomime show, opening next week, will be *The Lion, The Witch and the Wardrobe*. Meanwhile the two smaller auditoria have been launched other productions. There is little to commend in *A Stinging Sea*, by Vivien Adam and directed by Maggie Kinloch, currently in the theatre's smallest space: a crummy psychodrama set on a Hebridean island about a man, a woman and a ghoul who variously represents the boy the man once was, the children the woman has abandoned for him, the foetus she once aborted, and the child one or other of them would like to have. Plenty of sex (increasingly joyless), even more screaming, but weak female acting and several narrative clichés.

Upstairs in the Circle Studio, however, the staging of Goldoni's *Don Juan* – translated and directed by Robert David MacDonald – is a thrill. No *Don Juan* tells quite the same story, and Goldoni's variants are part of this version's excitement. Here, Donna Anna and Duke Octavio dislike each other and are only engaged with extreme reluctance; Elisa (the peasant Zerlina character) constantly tells lies to string along her men; Donna Isabella (the Elvira character, already deceived by Juan) pursues her former lover in male disguise, and finds herself drawn to Octavio, her new protector (Anna even denounces her, falsely, as Octavio's mistress); and Anna's father, the Commendador, only appears as a living figure, not as a vengeful statue.

When finally Juan is shown to have tricked all the women, and is trapped in sanctuary, he begins to rave hysterically: "Elisa – Isabella – Anna – which of you will murder me?" He dies when the ceiling collapses upon him, but this act of God is the only hint of supernatural intervention in the play. All is rational, witty, dangerous, charged. (This is the British premiere of Goldoni's version: it is astonishing that we have done without it so long.)

The most remarkable character of all is Anna – a proud schemer, torn between virginal devotion to her father and sensual attraction to Juan, determined to resist Octavio at all costs and half-repulsed by Juan's more brusque advances, yet prepared at first to marry Juan even after he has killed her father. What a role! She is as complex, cold and cruel as one of Racine's heroines. But I was amazed too by the duplicitous determination of Elisa. There are less surprises about Juan himself, but Goldoni fleshes out his lethal, Godless selfishness and hubris with telling detail.

I should love to see a Don Juan festival – maybe at Edinburgh? – in which this Goldoni was included, alongside those other versions by Tirso de Molina, Molière, Gluck, Mozart, Byron, Zorilla, Strauss, Shaw and Horváth. The only flaw in MacDonald's production is that is Andrew Wilde's chilling Juan lacks sensual allure. But the staging has psychological depth, glamour, tension, and spirit. (Andrea Hart as Anna exemplifies all these factors.)

But I should love also to see a Goldoni festival. This year is the bicentenary of his death, by the way; and the more you see of his work, the more diverse a master he appears. Just compare – to name but three – Strehler's revelatory and humane staging of *Le Baruffe chiozzotte* (brought last year to the National), the RSC's current staging of the knockabout *Venetian Twins*, and this rational and penetrating *Don Juan*. No British theatre has done more to honour Goldoni than the Citz; this is its eighth Goldoni since 1976. All eight have been translated and directed by MacDonald. His *Don Juan* text is exemplary: elegant, intelligent, idiomatic, and never calling attention to its own cleverness. Lucky Glasgow.

Don Juan continues at the Citizens until December 11; *A Stinging Sea* ends tonight – November 27

Jazz

More sax please

The curious sight and sound of the Pharoah Sanders Quartet is causing some excitement, as well as consternation, in its short tour of the UK. The American tenor saxophonist, who first came to prominence beside the late, great John Coltrane, has found something of a cult following among the jazz dance fraternity lately. As sometimes happens with the unconventional, and non-commercial, he is also undergoing critical re-appraisal by the purists, as torch bearer of what Coltrane began in the 1960s (he died in 1967).

It was the Coltrane followers who played up the jazz boom of the late 1980s with their tough blowing, get-outta-myway style, so appropriate for those restless times. During the same period Sanders, whose own harsh sheets of sound were confined to the West coast, was making records that would be snapped up (and sampled) for the dance floor in the 1990s as interest in the new generation of saxophonists began to pall.

Thus the prospect of Sanders' carved mahogany features and long white fringe of a beard, inscrutable behind dark glasses and scorching tenor, drew an interesting selection of the jazz listening public to this smoky little club – from the middle aged hippies made good to the hep habitues of Camden Lock.

Most would have felt a little shortchanged. For someone billed (inaccurately) as "the greatest tenor saxophonist on this earth" in the promotional blather, Sanders could at least have devoted more time to the instrument. Wednesday's set opened with a lengthy percussion workshop from the quartet, employing talking drums and shakers, Sanders bellowing "There will be peace and happiness" aggressively into the microphone. To a huge and approving rush from the audience, he then set about the sax with some exuberant and often hair-raising split reed technique. The effect is rather like cleaning your ears out with wire wool.

But the excitement was shortlived. As the band – William Henderson (piano), Alex Blake (bass) and Sherman Ferguson (drums) – surged ahead enthusiastically, Sanders stepped out, returning occasionally to shout or shake and even beat his chest comically. Miserly rations of caustically liberating tenor technique illicited screams from the audience, as did some fleet and funky fret work from Blake, but the most plaintive voice of them all was the one begging for more sax. Instead, Sanders began to beat a large copper bowl with a mallet.

As with the Sanders sound, so it is with the performance it seems. You have to take the rough with the smooth.

Garry Booth

Dingwalls, Camden; Bristol Trinity Arts Centre (Sun) and Manchester Al's Cafe (Mon)

The What? The Iron Man

Alastair Macaulay writes to his teenage niece

Dear Kate,

Well, if I'd known long in advance that Pete Townshend had written his new rock opera for children "as a Dad", I'd have asked you to join me for the first night. He adapted it from the original story by Ted Hughes – who wrote it for *his* children. Whoever expected a tale by the Poet Laureate to be turned into a rock musical? Well, if Andrew Lloyd Webber did it to T.S. Eliot (*Cats*) . . .

Since it's a rock musical, you will think it would suit you a whole lot better than it does me – you know how we disagree about *Les Mis.* and *Joseph* – but in this case I'm not sure it would. Hughes wrote the story to help his children learn to confront fear. All that side of it would interest you. But I wonder whether the music or the words would get under your skin.

To me, the show's most wonderful feature is Anthony Barclay, who plays Hogarth, the central role, the boy who makes friends with the huge metal-devouring iron man, conquers his fear, and wins round everyone else. Barclay has been in several very different musicals in recent years – *Assassins*, *The Fantasticks*, *Children of Eden* – and he always makes a good impression. Hogarth is not the big demanding role he deserves at this point in his career, but he plays it with such simple integrity that he sweeps you up.

He never does any of that bright-eyed musical-comedy cutie-pie stuff I hate so much; he has the kind of bones and dark eyes that are perfect for an idealistic young hero; and when the shows really lets him sing (not often enough), he can. (One of the show's mistakes is that, in trying to make Hogarth sound boyish, it sets his music high; and Barclay is asked to croon most of it in a pale half-tenor. It's not much of a musical that stops its leading role from having a really good *sing*, is it?)

Almost everything else about the show is less than wonderful, but a lot better than dreadful. It doesn't always tell its story clearly – which could make a young audience restless. I have a hunch you haven't read Hughes's tale, but it's probably better (if you go) if the story takes you by surprise. The words are surprisingly intelligent – not surprising when Townshend drew them from a story by the Poet Laureate, but surprising when you think of most recent musicals. Nothing smart-alec about them, and not too much heavy rhyming; but nothing corny or soupy either.

Not quite enough of the music is really *rock*. (Do admit you never expected to hear me say that.) Too much of it is tuneless and beatless – like ponderous recitative – trying desperately to be expressive, but without impulse. Parts are discordant (daring in a musical); other parts are almost like the things children chant in playgrounds. But suddenly there are songs that loom out and catch everyone up. A Star Spirit sings "Don't be afraid of the night" twice in Act One, a beautiful rising melody. In Act Two, she returns as a man-eating Space Dragon and sings "I want fast food fast", kind of dirty.

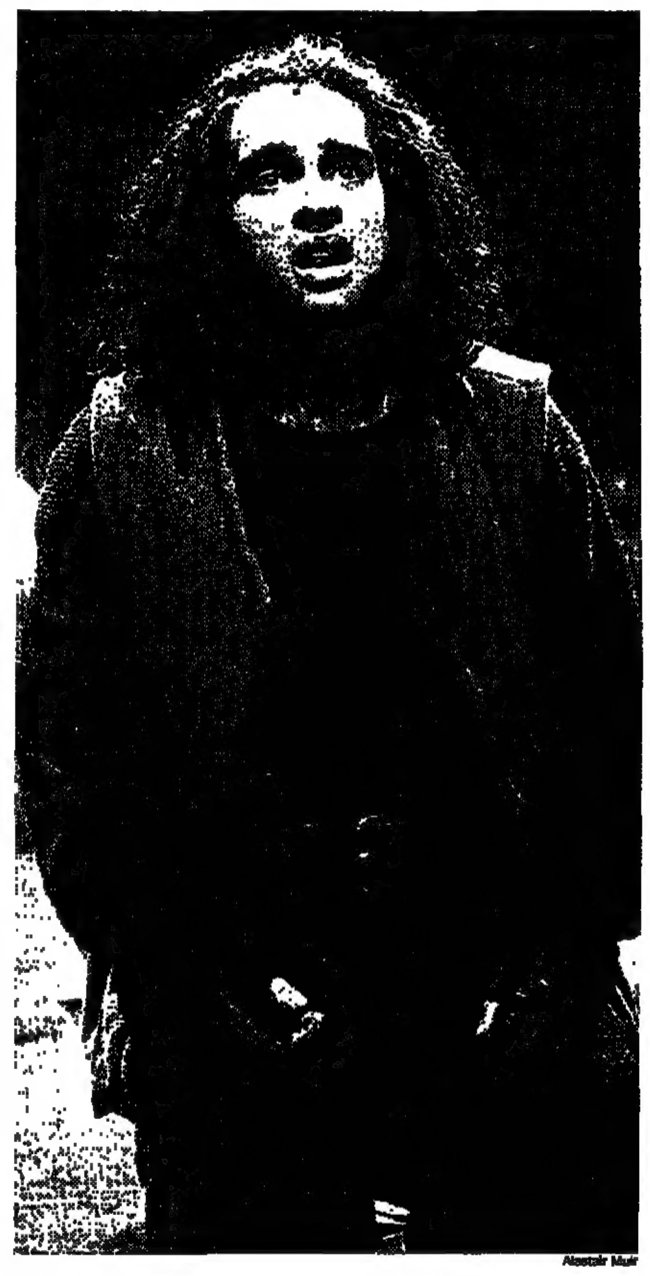
David Thacker, who helped Townshend to adapt the story, is also the director. As you know, rock musicals usually depend on scenery and special effects. This one has a huge 20-foot-high iron man who takes a few lumbering steps to and fro; the she-Dragon goes high in a trapeze: there is any amount of scrap metal onstage (the woman next to me said "I'd like to have a good rummage"). In the big fight it's not clear at first whether the Iron man is wielding fire *on* her or has been set on fire *by* her. But special effects aren't really the point (a plus in my book, but maybe not in yours). *The Iron Man* is really about psychology – about learning to handle fear and aggression – and it ends optimistically.

I'm glad you all loved seeing *Les Mis.* over half-term. No, I haven't changed my mind about it, I'm afraid. Let's talk about it at Christmastime.

Love from your wicked uncle in the big city.

P.S. What I'd actually like to know most is whether you've *heard* of Pete Townshend. (My taxi driver, who was born in 1962, hadn't.) When I was your age and younger, he was a big name with The Who. See if your father still has LPs of their music; I used to borrow them from him in the 1960s. To my mind, the stuff he was writing then still has more edge today. It still sounds as if he needed to write it, whereas *The Iron Man* sounds like a task he had set himself.

The Iron Man continues at the Young Vic until February 12. Sponsored by *The Evening Standard*



Alastair Muir

Anthony Barclay in the Townshend/Hughes/Thacker rock opera

When time stood still. . .

The Royal Court Theatre Upstairs is a small space, and the first thing you notice about the set of *Hammett's Apprentice* is that the seating has been reduced to five rows by a needlessly large stage. Everything else about the production is over-extended. Time itself seems to move slowly during the 150 minute play; or perhaps that is just the effect of altitude in the Upstairs studio.

Hammett's Apprentice by Kevin Hood charts the emotional career of Mary, Cambridge mathematician and bellicose feminist. She is haunted by one of the Tolpuddle martyrs (James Hammett from Dorset in the 1830s), plagued by a dreadful mother, and troubled by a dying grandmother. Mary meets Alistair whilst attempting suicide from the 15th floor, lives with him, and takes him home to her grandmother's funeral. It makes lumbering drama.

The play has the feel of Ken Loach's excellent film, *Raining Stones*, about the same Catholic working class culture. But *Hammett's Apprentice* lacks a moral, spiritual and dramatic centre. There is little to be learned historically and less to be gleaned psychologically.

However, Hood writes well enough to suggest a waste of effort. And the superb acting of Ewan Hooper and Mary MacLeod as the grandparents sustains the interest if not the action of the evening. There are vivid moments from Lee Ross as a 1980s over-entrepreneur who stays in touch with the markets via a box of stolen portable phones. But Hood never creates people and issues strong enough to sustain a plot.

Repeatedly, characters present their histories as intrinsically interesting, and the action falters into a series of encounters between people trawling though the past. Stage drama happens in the present. *Hammett's Apprentice* runs parallel to where it should, and needs to be trimmed down, put into the present and adapted for radio.

Andrew St George

Royal Court Theatre Upstairs (071 730 1745)

Off the Wall/Antony Thorncroft

Prize bed of nails

There can be little doubt where the real artistic avant-garde was on Tuesday night. Inside the Tate Gallery the well heeled, black tied, glitterati were clapping to the echoes the news that Rachel Whiteread had won the Turner Prize, and £20,000, for her plaster cast of a room.

Outside, the K Foundation, which has devoted around £200,000 to exposing the hollowness of the Turner, had nailed £40,000 in notes to a picture frame tied to the railings of the Gallery, and was taunting Whiteread to come and collect her prize for being voted the worst artist among the Turner short list of four – or see the money consumed by flames. Slightly behind deadline Whiteread emerged, promising she would give the cash to deserving artists.

In terms of mind expanding innovation, and the creation of a challenging example of conceptualism, the K Foundation won hands down. It had staged an event, performance art of the highest order. Nailing notes to an empty frame was a most expressive mockery of the events inside the Tate.

Once again the Turner has exposed the elistist sectarianism of contemporary art. The Prize is controlled by the Patrons of New Art, a small clique of dealers and collectors who invariably select artists that they either trade in or buy. It made a change that the winner was not a sculptor handled by the Lisson Gallery. Instead it was an artist who works abroad and has pursued one idea – making casts of everyday objects of a size that can only fit into museums.

The jury made fools of itself in suggesting that Whiteread's work, "by exploring such themes as memory, death, community, isolation and homelessness, stimulates public awareness of these significant issues." The local council at Bow, which had Whiteread's latest commission, the cast of a house, thrust upon it, showed its stimulation by also voting on Tuesday night – to knock the house down this week end.

No one can doubt where the true pioneers of 20th century art – the Dadaists, the Surrealists, the conceptualists, would be on this issue – outside in the cold, garlanding with notes the empty frame.

*

Less exalted collectors of contemporary art are well served this week end at London's Cork Street. For the second year running this bazaar devoted to 20th century art is open all of Saturday and Sunday.

The first event was a great success, with galleries like William Jackson attracting 2,000 visitors, equal to about three months usual throughput. All the galleries, including the mighty Waddington, are concentrating on "affordable art". Dealers have finally accepted that to beat the recession they must grow a new generation of collectors, whose cheque books start at £1,000 or so, or even less.

*

Lord Palumbo, chairman of the Arts Council, used this week's annual Prudential Awards to mix soft soap and tough talk as he rallied the massed ranks of the arts infantry to go over the top against cuts in subsidy in next Tuesday's Budget. He praised to the skies the Heritage Minister Peter Brooke (to hollow laughter) while stridently making the economic and spiritual case for the arts.

He even managed a threat. Prudential had told him that its continued support for the arts depended on the government maintaining its contribution: business was not going to make good any shortfall in state funding. In fact the Pru thinks that sponsoring the arts makes good commercial sense. It invests £800,000 a year in its awards and although most of the money goes on advertising and promotion it still hands over cheques worth £265,000, generally to experimental arts ventures, who must spend the money on creating new works.

The winner of the £75,000 big one this year was the Shobana Jeyasingh Dance Company. It had already received £25,000 as the winner of the dance category. The Pru is raising the stakes next year, adding a film and television category to dance, music, theatre, opera and the visual arts.

Shobana Jeyasingh was a popular winner but it is slightly odd that in its five years of existence the Pru's top prize has three times gone to modern dance – Rambert and Dance Umbrella were previous winners. This would be fine if modern dance was enjoying a popular renaissance but in fact audiences have been falling and some leading practitioners, like London Contemporary Dance, are in crisis. Perhaps the obviousness of modern dance gives it an edge over other art forms in the eyes of the final judging panel.

The Met as it might have been

Susan Moore finds the refurbished galleries doing a traditional job

The greatest compliment that can be paid to the design of a picture gallery is to realise that one soon ignores it. Such is the success of the new 19th century European paintings and sculpture galleries at the Metropolitan Museum in New York that the visitor presumes this is more or less how they originally looked. The pleasing proportions and restrained decoration of the Beaux-Arts classicism, the coherent layout of the galleries and their sympathetic lighting, are all taken for granted. It is the works of art that compel our attention.

The Met's latest refurbishment is worthy of a new chapter in the history of museology because it is not a straightforward exercise in the restoration of period rooms, as seen in, say, the National Gallery of Scotland. Since the opening of its permanent galleries in 1880, the Met has been in a state of perpetual reconstruction. These new galleries were fashioned out of a 1970s glass and limestone shed of an extension the size of a football pitch. They were conceived to look as though designed by McKim, Mead & White – the architects of the Fifth Avenue facade – at the turn of the century. We are presented with picture galleries as they might have been but never were.

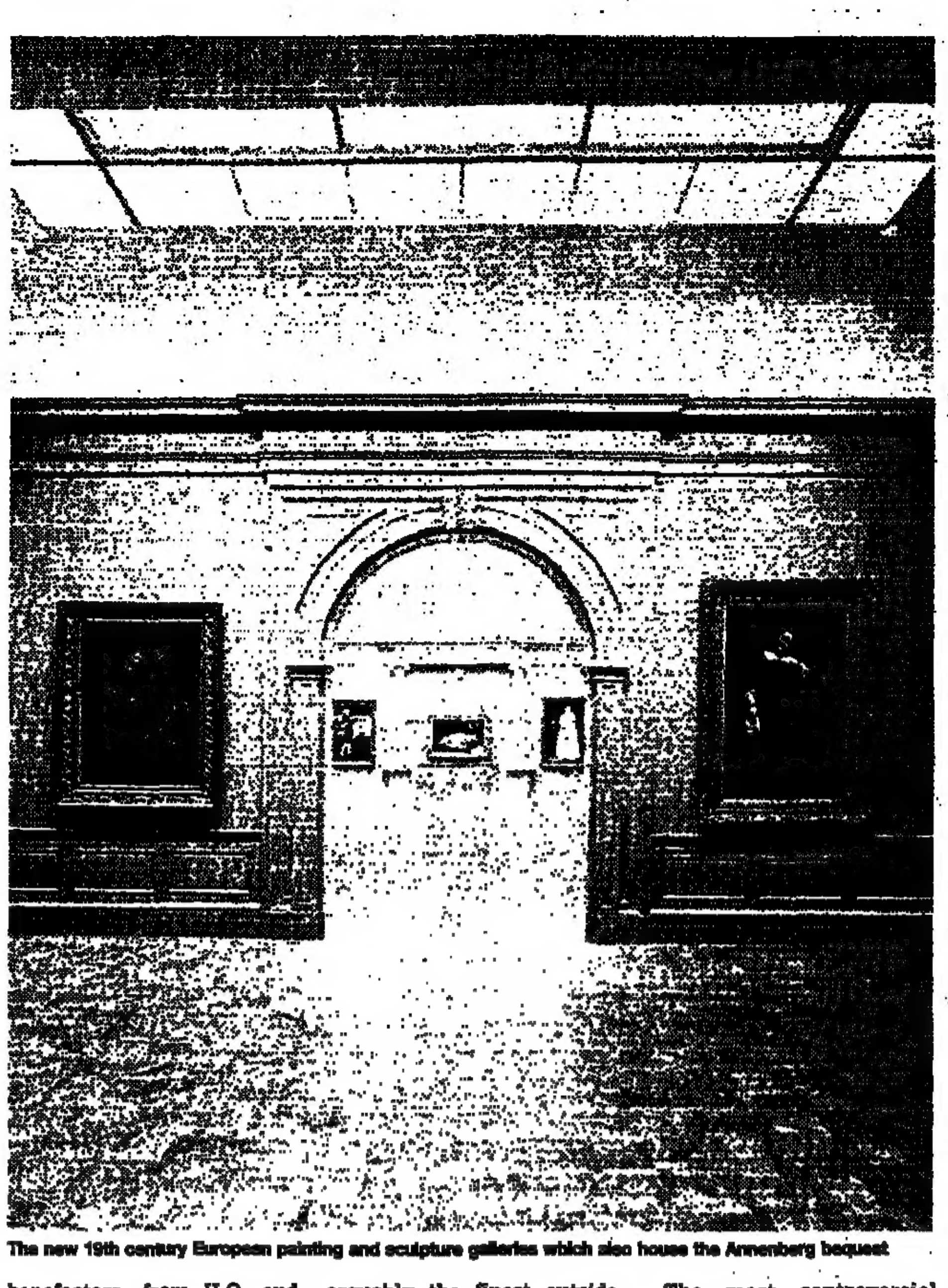
David Harvey, the museum's senior exhibition designer, working with the curator, Gary Tinterow, and the Philadelphia architect, Alvin Holm, has played it straight. The classical language of architecture is employed literately and without apology – and without any tiresome Post Modernist distortion of detail. The historicism is particularly appropriate given that most Impressionist and Post-Impressionist art was intended for Beaux-Arts interiors. Nonetheless, the design betrays the defeatism – or is it pragmatism? – of our age. It effectively concedes that for non-contemporary art the sculpture and picture galleries of Soane and Schinkel cannot be bettered.

Certainly the state-of-the-art former installation was found sadly wanting after only a decade. In the spirit of the Beaubourg, it offered a vast, bright, open-plan space studded with "flexible" star-shaped screens that provided a confusing multiplicity of vistas and proved too cumbersome to move. Not least of the merits of reverting to traditional galleries is that wall space is increased by 30 per cent.

Significantly, it was the Met's curatorial team, and the collection itself, that determined the design, size and disposition of the galleries. Presumably its director and trustees were wary of vesting absolute power in the relatively new breed of superstar architects who have been allowed to impose their vision on museum design regardless of the works of art within. There is none of the visual belligerence that characterises, say, Gae Aulenti's Musée D'Orsay in Paris or James Stirling's Clore Gallery in London which sets superb Turners in an airport lounge.

The 200ft by 120ft space has been divided into a sequence of 21 galleries. To the south runs a main corridor which, with a nod to the Louvre's Grande Galerie, has been widened to display large Salon paintings and 19th century sculpture. From there one moves into galleries devoted to neo-Classicisim, Romanticism and the Barbizon painters and on to galleries whose wall space is tailor-made for the museum's holdings of individual artists. Thus intimate spaces are provided for Degas pastels and Degas sculpture while the central double square is given over to a bravura display of Manet.

One is made aware throughout of the generosity of the museum's great benefactors, from H.O. and Louisine Havemeyer, Degas's first American patrons, to the Hon Walter H. Annenberg and Mrs Annenberg who contributed nearly half of the new galleries' \$11-12m construction costs. The decision by the much-courted Annenbergs to bequeath their superb collection to the Met in 1990, made after seeing the model of the new galleries, reveals how important the presentation of works of art has become in museum politics. The collection was widely believed to be going to Philadelphia.



The new 19th century European painting and sculpture galleries which also house the Annenberg bequest

The promised Annenberg bequest of 53 works of art, a great coup for the Met's director Philippe de Montebello, will make the museum's Impressionist and Post Impressionist collection arguably the finest outside Paris. The extent to which it will complement existing holdings is revealed by its display in three of the new galleries, until December 12.

Gary Tinterow is to be congratulated for the subtlety of his hang which uses the vistas through the galleries to integrate this separate group with the collection beyond. It is possible, for instance, to stand in the same place to view both the Annenberg and Met portraits by Cézanne of his Uncle Dominic as a monk, and Van Gogh's "Wheatfield with Cypresses" of 1889 and the "Cypresses" of the same year. Tinterow offers any number of thoughtful resonances throughout the galleries. The only drawback of the vistas is that they impel the visitor to hurry ever onwards.

The most controversial aspect of this modestly revisionist hang has proved to be the re-instatement of so many of the academic Salon paintings that had previously languished in store, and their prominent position. Bouguereaus and Cabanals are undeniably kitsch to modern sensibilities, but they do provide an appropriate foil to the Baryes and Rodins. They are even more relevant to the understanding of the Realists and Impressionists beyond.

If there is one small gripe, it is about the colour of the gallery walls. The muted greens and blues immediately strike the wrong note. Obviously the sludge and slurry hues of the 1970s – and the decade's antipathy to dark reds and cinnamons – have not quite been exorcised.

Records

Paris-orientated pleasures

Ronald Crichton makes his choice for sophisticated stockings

For choosy, sophisticated stockings here are three one-composer packs of transfers to CD, each Paris-orientated, promising hours of pleasure. The "Trésors Phonographiques de Jacques Offenbach" MM 34016, 3 CDs (British distributor Discovery Records, overseas Virgin France SA) contain excerpts from 21 Offenbach operettas by some 30 artists. They come from a private collection, spanning the time of wax cylinders up to the outbreak of the second world war. A feast, then, of humour, satire, irresistible rhythm and some of the best tunes ever written. Of course the sound varies, but transfers are well made – there is little of the old hiss-and-scratch.

Among the performers are opera stars like Emma Calvé sailing serenely through the Letter Song in *La Périchole* and Jussi Bjoerling, superbly carolling (in Swedish) Paris's song about the three goddesses from *La Belle Hélène*. Mireille Berthon is in top form as the Grand Duchess of Gerolstein, gleefully confessing her weakness for the military, and as the bogus Colonel's widow in *La Vie parisienne*. Old favourites include Yvonne Printemps, sending up operatic sopranos who hold on to their notes too long (in "Dites-lui", another of the Grand Duchess's indiscretions) and Reynaldo Hahn, inimitably narrating two numbers from *La Boulangère a des écus* to his own accompaniment.

As for the lighter stage, some of whose bright lights have little or no claim to singing voices, they excel when it comes to putting a point number across – Dranem, as the impenitent official in *Les Brigands* who has blown a large sum of public money on women and admits he has every intention of doing so again if opportunity occurs. Some cover both worlds, like the Opéra-Comique baritone Louis Musy, who with his wife so deftly and crisp projects another excerpt from *Les Brigands*, describing the tramp, tramp of the approaching carabinieri, late as usual.

I must not forget two eminent visitors from the legitimate stage, Madeleine Renaud and Pierre Bertin, in an Alsatian-dialect duet from *Lischen et Fritzchen*. Some knowledge of the colourful background of the collapse of the Second Empire and the beginnings of the Third Republic after the war of 1870 will help. So, frankly, will knowledge of French. Imagine a non-English-speaking French listener landed with the lyrics in *Iolanthe* or *Patience*. But you couldn't want more agreeable teachers.

Absolutely right for those fascinated by the musico-dramatic byways in Paris from the mid-1890s to the mid-1920s is "Les Inspirations insolites d'Erik Satie" (French EMI, CZS 7 62877 2, 2 CDs). The "unusual inspirations" include some of the most remarkable products of the most unusual and eccentric of leading French composers, the little man with a bowler hat, beard, pince-nez, overcoat and fetish-umbrella. He played the piano in bars but was, in the words of his teacher Roussel, "prodigiously musical". His short, satirically or mystifyingly named pieces still tease, perplex and delight in about equal measure.

Not all the works here transferred from recordings of the 1970s are unfamiliar – the dreamy, almost motionless, well-loved *Gymnopédies* orchestrated by Debussy, for example. Two I did not know, the doleful *Les Pantins Dansent* (Puppets dancing) and the *Choses vues* for violin and piano are delightful. Three longer, more demanding works, literally extraordinary are worth getting to know in these high-definition performances.

Satie called his *Socrate* a "symphonic drama" but the description would hardly have occurred to anyone else. It is a deliberately plain, unemotional, evenly-paced setting of Plato's account of the end of Socrates' life, given here in the version for four female voices (Danielle Millet, Andrea Guiot, Andrée Esposito, Mady Mesplé) and orchestra. *Geneviève de Brabant* is a miniature drama (with songs) intended for puppets. Mady Mesplé sings poor, suffering Geneviève's songs sweetly.

Strangest of all is *Le Piège de Méduse* (Medusa's trap) a "one-act comedy with songs" about a Baron Medusa and his entourage, included a stuffed mechanical monkey which dances and an insolent servant, Polycarp. *Geneviève* and *Le Piège* are graced by the distinguished actor-musician Pierre Bertin whose virtuoso speaking almost makes up for the absence of texts in the notes. All three major works are conducted by Pierre Dervaux. There is a useful note on Satie in the new *Viking Opera Guide*. Further information and vivid background material will be found in James Harding's book *Erik Satie*.

Among the most devoted of Satie's colleagues was Milhaud, one of a group who, at the family's request, penetrated the humble room where Satie had lived for years and where no-one was invited. *Geneviève de Brabant* was among the unknown works they found There. Two of Satie's songs are included as a tribute in Darius Milhaud enregistrement historiques 1928-1948 (The Classical Collector 150 122, 3 CDs.). Riches indeed – the bitter-sweet *Saudades* for piano, once so strange-sounding now is so natural, and *Le Boeuf sur le toit*, both deriving from Milhaud's time in Brazil; *La Création du monde*, surely de most successful mating of jazz and classical; the three tiny "opéras-minute" opera on classical subjects (complete); not least, the popular *Scaramouche* for two pianos played by the composer and Marcelle Meyer. Other distinguished performers are the conductor Désormières, the pianist Marguerite Long and, among the singers, the baritone Martial Singher and the invaluable Jane Bathori, – a soprano who gave innumerable first performances for the younger composers in those years.

Hitting the right note to fill the seats

Antony Thorncroft on the marketing strategies of London's opera houses

Not many people can whistle the airs from Smetana's opera *The Two Widows*. By all accounts it is a jolly, tuneful, light opera, ideal for the Christmas trade. But English National Opera knows it cannot fill the vast 2,358 seat Coliseum with such a little known work without a considerable marketing effort. It is contemplating playing the music down telephone lines so that anyone who needs convincing that they will enjoy it can get a taster.

There will also be a special offer, four seats for the price of three, to encourage celebratory parties. The same deal will cover the other holiday production, *Die Fledermaus*. It is all part of the ENO's intensified effort to sell more seats. In recent years its audience has declined inexorably, to 63 per cent of capacity last season.

As the London theatre belatedly feels the effects of the recession (West End ticket sales are down 1 per cent on last year), the two opera houses, the ENO and the Royal Opera House, Covent Garden, are looking towards imaginative marketing schemes to attract audiences and shore up revenue. They are well aware that declining attendances hardly help their case for more subsidy from the Arts Council.

But while the two Houses consider plans to build audiences they are well aware of the pitfalls. Both have loyal, bedrock, supporters (who rarely overlap). They are terrified that embracing cut price promotions and special offers with too much enthusiasm will alienate their regular patrons and increase the current curse of the West End – last minute bookings.

The Royal Opera House experienced the problem recently when, to fill some unsold capacity, it offered 13 seats for *Eugene Onegin*, ranging in price up to £85, for just £15 to members of its staff, and to the staff of the Royal Academy, with which it has friendly links. News of the promotion leaked out and the box office was busy placating opera lovers seeking similar treatment. The aim is to dispose of empty seats without upsetting traditional subscribers. At all costs the two Houses want to avoid introducing a bucket-shop image to a trip to the opera or ballet.

ENO and Covent Garden are taking different approaches to the same end. Although the ENO does make 58 seats available on the day at discount prices (£18 for the stalls; £6 for the gallery), and carries special offers for less popular operas through commercial radio and magazines like Time Out, its ambition is to sell more seats through attracting new audiences rather than reducing seat prices to its existing one. It is working on a special promotion which will offer discounts to schools and to community groups.

This has yet to be launched. In the meantime the ENO will continue to target certain markets for particular productions that need help at the box office. There is no need to cut prices on its new *La Bohème*, which the other Saturday played to 105 per cent capacity thanks to an influx of standing room only aficionados. But the juxtaposition in the repertory of *Figaro's Wedding* and *The Barber of Seville*, which share at least one character in common, made it seem natural to offer a discount on the Rossini opera to buyers of *Figaro* tickets.

Another recent production, *Street Scene*, is virtually unknown despite its origin as a Broadway musical. The ENO took a mailing shot to First Call subscribers, pushing its history as a 20th century musical. It also made a media drive for radio producers, giving them complimentary seats in the hope that the tuneful songs would later feature on their play lists. But discounting is perilous. The ENO much prefers to encourage its core audience by offering a free 24 hour booking service and discounts in car parking until it gets the major promotion aimed at new audiences off the ground.

The need to boost ENO attendances has been intensified by the success of Covent Garden. In September Covent Garden launched a guaranteed ticket for £10 in a promotion with the FT. This attracted 17,000 responses, and will dispose of most of the unsold seats in the current season. The first performance of a triple bill of three modern ballets, a notoriously difficult programme to sell, was packed, thanks to 200 FT readers in the audience.

Covent Garden is less concerned to develop new audiences. It fulfils its commitment to access through broadcasting, and the Midland Bank Proms and simultaneous screenings on the piazza. With its average seat price much higher than that at the Coliseum it sees little potential in marketing itself to schools or community groups.

It also has two advantages over its rival down the road. It has fewer empty seats to fill – last season its dance performances had a capacity of 87 per cent and opera 85 per cent. And it has more flexibility over its programming: ENO would find it financially counter-productive to cancel performances of an unpopular opera production but Covent Garden can switch its dance programmes, as it did last season when more offerings of *Tales of Beatrix Potter* were slotted in at the expense of the ailing *Prince of the Pagodas*.

Covent Garden is also working on a long term solution to lifting audiences. It is based on the frequent flier schemes of airlines. As you buy tickets you acquire points, and points can be converted into seats. Of course certain, more challenging, productions earn more points than others. The aim is to deliver audiences of around 92 per cent of capacity, and the promotion is likely to come into force next season, building on the databank of potential new supporters that the Royal Opera gained through the FT promotion.

Both Houses have improved their financial position in recent years by cutting costs. But they still have substantial deficits. With the near certainty that the Arts Council will have to reduce its subsidy by 2 per cent next year, it is more vital than ever that box office revenue is increased. The secret lies in finding an approach which boosts income without discounting the value of the product.

Radio/B.A. Young

All Poles together

Radio 3 is running a Polish season over three weeks, to mark the 60th birthdays of Penderecki and Gorecki, and the 75th anniversary of the end in 1918 of Poland's partition. Mostly it is about Polish music and musicians, not for me to assess; but there are other features on Polish theatre and current social life.

On Saturday there was an interesting talk on the theatre. In this country we may think of Polish theatre in the light of Grotowski and Kantor, well received by critics, less so by the public. Their work was a kind of dramatic emotion, but it expressed no overt politics, so the Communists gave it no ban - and no subsidy. The outstanding house was the Stary in Krakow, playing classics to both public and government approval, as it still does, with occasional foreign works. But Poland has 65 state theatres, with inadequate subsidy and inadequate audiences. There is room for action.

Appropriately, the Sunday play was Slavomir Mrozek's *Slaughterhouse*, translated by Ralph Manheim, a horrid satire where it is proposed that the hold that art has on the public might be replaced by killing. The violinist hero (Nigel Anthony) is responsible; he accidentally brings to life a bust of Paganini, and the new live Paganini becomes a virtuoso butcher, his earlier desire. Butchery replaces music in the public mind; at the climax, the butcher hero, as he now is, is billed to perform on the Philharmonic platform a concerto for two bulls.

The theme is valid indeed, the public subjection to fashionable beliefs. Mrozek gives too little to his sub-themes, the selfish love of the violinist's mother (Patricia Routledge) or the violinist's weakness for a friendly girl flautist (Emily Richard). The hero does not appear for his bull-concerto, possibly for one of those causes, but the performance is not cancelled; the Philharmonic President calls for a substitute from the house. But the play cunningly ends before he gets a reply.

Some good short programmes illustrated Polish life and times. The political change has made little difference – "we are social democrats" – but the press is freer. *Table Talk* dealt with the delights of the Polish kitchen, the accent (as throughout the week) being on Krakow rather than Warsaw. In *Snapshots*, presenter Bogdan Frymorgan told of the "cavalry", the underground Bohemians of the 1980s who now direct their liberty to the TV. He gave an interesting talk too about the Wieliczka saltmines that contain a 17th-century chapel and a basketball-pitch.

Yesterday Wlodek Lesiecki gave a talk-cum-concert of traditional Polish music, as enjoyable as it was interesting, and far more up my street than *Time and Silence*, the first of Brian Morton's six – six! – pieces on Polish jazz. There was little of this until about 1956, just when I think jazz began to die.

Since we have strayed into jazz, on Tuesday Radio 2 gave a programme on Lorenz Hart, to my mind the best popular lyric-writer ever, and this I had to hear. It was dramatised, with David Suchet as the gay, drinking, unreliable Hart and Jack Klaff as the composer Richard Rodgers, to whom Hart had to explain internal rhymes and feminine endings, before putting them so cleverly into his songs. Lorelei King sang – "My heart stood still", "Mountain greenery", "Manhattan" and more, not a dud among them.

Chess No 998: 1 Bg1 (threat 2 Qf2). If hxg1Q 2 Bxb7, or hxg1N 2 Bf1, or Qf3 2 Qxh2, or Kxg1 2 Qf1.

هكذا من الاصل

TELEVISION

SATURDAY

BBC1

7.00 Lassie. 7.25 News. 7.30 Mythical Magical Creatures. 7.40 Felix the Cat. 7.55 Peter Pan and the Pirates. 8.20 Marlene Marlowe Investigates. 8.40 Tom and Jerry's Greatest Hits. 9.00 Live and Kicking.

12.12 **Weather.**
12.15 **Grandstand.** Introduced by Steve Rider. 12.20 Football Focus. Latest action from the FA Premiership. 12.25 Racing from Newbury: The 12.30 Bonusprint Gerry Feilden Hurdle. 12.40 Football Focus. 12.55 Racing: The 1.00 Alzo Long Distance Hurdle. 1.10 News. 1.15 Rugby Union. 1.25 Racing: The 1.35 Hennessy Cognac Gold Cup Handicap Chase. 1.45 Rugby Union: England v New Zealand. Live coverage of the international at Twickenham. 3.30 Snooker: UK Championship. Semi-final action. 3.50 Football Half-Times. 4.00 Snooker. 4.35 Final Score. Times may vary.
5.15 **News.**
5.25 **Regional News and Sport.**
5.30 **Happy Families.**
6.15 **Dad's Army.** A Home Guard efficiency test throws the ageing volunteers into a panic. With Arthur Lowe and John Le Mesurier.
6.45 **Noel's House Party.** The concluding part of the 3D Dr Who adventure.
7.45 **Big Break.** Ray Reardon, Troy Shaw and Ronnie O'Sullivan help contestants from Newcastle, Cornwall and Cambridge.
8.15 **Casualty.** Charlie faces an awkward decision when a young homeless girl turns up looking for a place to spend the night.
9.05 **Harry.** The wily reporter throws a party to celebrate the broadcast of Jonathan's video diary, but gets a shock upon seeing the programme for the first time. His problems are compounded when an old friend is implicated in a 15-year-old case of police corruption. With Michael Elphick and Tom Hollander.
9.55 **News and Sport; Weather.**
10.15 **Match of the Day.** Desmond Lynam introduces highlights from two of today's FA Premiership matches, plus goals and news from remaining fixtures. Expert analysis and commentary by Alan Hansen, Trevor Brooking, Barry Davies and Clive Tyldesley.
11.20 **Snooker: UK Championship.** The conclusive frames of the second semi-final.
1.50 **Weather.**
1.55 **Close.**

BBC2

8.00 Open University. 9.55 Macgregor's Scotland. 10.25 Dhoop Kinaray (English subtitles). 11.05 Network East. 11.35 Chanakya (English subtitles).

12.15 **Film: Victoria the Great.** Anna Neagle stars as Queen Victoria in this historical drama charting episodes in the life of the British monarch (1937).
2.10 **Civilisation.** How the 17th century invention of the lens led to revolutionary discoveries about the properties of light.
3.00 **Film: The Unholy Wife.** A bored housewife plans to kill her husband – but unwittingly shoots the wrong man. With Diana Dors and Rod Steiger (1957).
4.30 **Snooker: UK Championship.** The concluding session of the first semi-final.
5.55 **Scrutiny.** New series. Anne Perkins investigates parliamentary committees.
6.25 **News and Sport; Weather.**
6.40 **Snooker: UK Championship.** Highlights of the decisive session in the second semi-final.
7.20 **The Great Depression.** How Hollywood in the 1930s responded to the Depression, either by mirroring its worst effects or denying their very existence. Films and news footage often contained propaganda designed to influence public reaction to issues such as the plight of California's poor and destitute, a problem which eventually prompted government action and inspired John Steinbeck's acclaimed novel, The Grapes of Wrath.
8.15 **In the Red.** Six volunteers from Bristol examine how money is used in their city.
8.35 **Performance: Hedda Gabler.** A newlywed woman, dissatisfied with her marriage, is thrown into emotional turmoil by the arrival of an old flame. Stephen Rea heads the powerful cast in this adaptation of Henrik Ibsen's play.
10.45 **Have I Got News for You.** Jimmy Tarbuck and Vitali Vitaliev join Paul Merton, Ian Hislop and Angus Deayton for the news quiz.
11.15 **Safe in the Arms of a Catastrophe.** A series of programmes to mark World Aids Day begins with this semi-abstract visual drama showing how a sufferer came to terms with his illness.
11.35 **Film: Gold Diggers of 1933.** With Joan Blondell, Ruby Keeler and Aline MacMahon (1933).
1.15 **Close.**

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Movies, Games and Videos.

1.00 **ITN News; Weather.**
1.05 **London Today; Weather.**
1.10 **Film: Joey Boy.** Comedy with Harry Corbett and Stanley Baxter. (1965).
2.45 **NBA Basketball.** Alton Byrd with an hour of action highlights.
3.45 **Who's Who.** Gossip and glamour news, including a guided tour around the extravagant home of millionaire antiques dealer Martin Miller.
4.15 **Cartoon Time.**
4.40 **ITN News and Results; Weather.**
4.55 **London Tonight and Sport; Weather.**
5.15 **Cartoon.**
5.25 **Catchphrase.**
5.55 **Gladiators.**
6.55 **Blind Date.**
7.55 **Murder, She Wrote.** New series. Jessica is asked to devise her own board game, but gets side-tracked when the vice president of the toy company is murdered. With Angela Lansbury, Barbara Babcock, John Hillerman and Joel Fabiani.
8.50 **ITN News; Weather.**
9.00 **Weather.**
9.05 **The Bill.** Sun Hill officers deal with a local resident-turned-vigilante who attacks a drug dealer.
9.35 **Film: The Magician.** Clive Owen plays a London detective whose investigation into the dealings of a mysterious counterfeiter takes an unexpected turn when an American businessman steps forward with vital information – can the man be trusted? Crime drama based on a true story, with Peter Howitt, Jeremy Kemp and Jay Acovone (TVM 1993).
11.35 **Aids – In a New Light '93.** Celebrities discuss the impact Aids has had on their lives. The programme is hosted by Paula Abdul and Arsenio Hall, and features showbiz stars, including Elton John, Barry Manilow, Elizabeth Taylor, Rosanna Arquette, Cindy Crawford and Luke Perry.
1.05 **Film: Tidy Endings.** A woman is forced to come to terms with her husband's death from Aids when she meets his gay lover. With Stockard Channing and Harvey Fierstein (TVM 1991).
2.05 **The Big E; ITN News Headlines.**
3.00 **Travel Trails.**
3.30 **New Music.**
4.30 **European Nine-Ball Pool Masters.**
5.30 **ITN Morning News.**

CHANNEL4

6.00 Early Morning. 9.45 The American Football Big Match. 11.00 Gazzetta Football Italia. 12.00 Sign On. 12.30 pm Sale TV.

1.00 **The Three Stooges.** The terrible trio turns up at King Arthur's court.
1.25 **Racing from Newcastle.** The 1.30 Ladbroke Handicap Hurdle. 2.05 Steel Plate and Sections Novices' Chase. 2.40 Bellway Homes Fighting Fifth Hurdle, and the 3.10 Ladbroke Handicap Chase.
3.35 **Film: The Holly and the Ivy.** The festive season turns sour for a country parson when revelations at a Christmas family reunion cause him to dramatically revise his outlook on life. With Ralph Richardson and Denholm Elliott (1952).
5.05 **Brookside.**
6.30 **Right to Reply.**
7.00 **A Week in Politics.** Vincent Hanna and Andrew Rawnsley review the week's developments; News Summary.
8.00 **Four-Mations.** Three experimental animations, beginning with William Latham's Biogenesis that boasts state-of-the-art computer graphics. Winter Trees, by Sarah Downes, takes its inspiration from a poem by Sylvia Plath, and Argument in a Superstore is a tongue-in-cheek piece by Stuart Hilton.
8.30 **Whose Line Is It Anyway?** Improvised comedy, hosted by Clive Anderson. With Tony Slattery and Josie Lawrence.
9.00 **Brides of Christ.** Mother Ambrose's attempts to implement the latest Vatican reforms are disrupted by the arrival of a new convert with strong left-wing views. Matters are further complicated when the newcomer kindles romantic feelings in some of the more impressionable sisters. Drama set in a 1960s Australian convent, with Sandy Gore and Philip Quast.
10.05 **Rory Bremner: Who Else?**
10.45 **Film: Love Streams.** Drama chronicling the emotional ties that unite an eccentric brother and sister as they search for fulfilment. Directed by and starring John Cassavetes, with Gena Rowlands, Seymour Cassel and Jakob Shaw (1984).
1.15 **Late Licence.**
1.25 **Herman's Head.**
1.50 **Late Licence.**
1.55 **Eurotrash.**
2.30 **The Word.**
3.30 **Saturday Zoo.**
4.30 **Made in the USA.**
5.15 **4-Tel On View.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA:
1.05 Anglia News. 1.10 The Littlest Hobo. 1.35 COPS. 2.05 Hardcastle and McCormick. (1983) 3.45 Knight Rider. 4.55 Anglia News and Sport 8.50 Anglia Weather. 11.35 The Eyes of Laura Mars. (1978) 1.30 Hollywood Report. 2.00 The Hidden Room. 2.30 BPM. 3.30 The Little Picture Show. 4.25 The Big E. 5.15 On The Live Side.

BORDER:
1.05 Border News. 1.10 Kick Off. 1.40 Granada Sport Action. 4.55 News and Weather 5.00 Sports Results. 11.35 The Eyes of Laura Mars. (1978) 1.30 Hollywood Report. 2.00 The Hidden Room. 2.30 BPM. 3.30 The Little Picture Show. 4.25 The Big E. 5.15 On The Live Side.

CENTRAL:
12.30 America's Top 10. 1.05 Central News 1.10 COPS. 1.35 Movies, Games and Videos. 2.05 Knight Rider. 3.00 The A-Team. 3.55 WCW Worldwide Wrestling. 4.55 Central News 5.00 The Central Match – Goals Extra. 8.50 Local Weather. 11.35 Lisa Stansfield All Around the World. 12.35 The Big E. 1.30 Aids – In A New Light '93. 3.00 Speakeasy. 4.00 Central Jobfinder '93. 5.20 Asian Eye.

GRANADA:
1.05 Granada News 1.10 Kick Off 1.40 Granada Sport: Action. 4.55 Granada News. 5.05 Goals Extra. 8.50 Granada Weather 11.35 The Eyes of Laura Mars. (1978) 1.30 Hollywood Report. 2.00 The Hidden Room. 2.30 BPM. 3.30 The Little Picture Show. 4.25 The Big E. 5.15 On The Live Side.

HTV:
12.30 No Naked Flames. 1.05 HTV News. 1.10 Sail the World. 1.40 Cartoon Time. 1.55 Final Eye. (TVM 1977) 3.45 Baywatch. 4.55 News and Sport 8.50 Weather. 11.35 The Eyes of Laura Mars. (1978) 1.30 Hollywood Report. 2.00 The Hidden Room. 2.30 BPM. 3.30 The Little Picture Show. 4.25 The Big E. 5.15 On The Live Side.

SCOTTISH:
1.05 Scotland Today. 1.10 Telefios. 1.40 Haggis Agus. 2.10 Caiptean Zed Agus An Zee Zone. 2.40 Scottish Books. 3.10 The Sullivans. 3.40 The A-Team. 4.55 Scotland Today. 8.50 Scottish Weather. 2.05 The Art Sutter Show. 3.10 Pop Profile. 3.35 Cinema, Cinema, Cinema. 4.05 BPM. 5.00 Blockbusters.

ULSTER:
12.30 Blockbusters. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Movies, Games and Videos. 1.50 Dinosaurs. 2.20 BMX Bandits. (1983) 3.55 WCW Worldwide Wrestling. 4.55 UTV Live News 5.00 Saturday Sport. 8.55 UTV Live News 11.35 The Eyes of Laura Mars. (1978) 1.30 Hollywood Report. 2.00 The Hidden Room. 2.30 BPM. 3.30 The Little Picture Show. 4.25 The Big E. 5.15 On The Live Side.

WESTCOUNTRY:
1.05 Westcountry Weekend Latest. 1.10 The A-Team. 2.05 Dinosaurs. 2.35 Anybody Out There? 3.05 NBA Basketball. 4.05 Superstars of Wrestling. 4.55 Westcountry Weekend Latest. 11.35 The Eyes of Laura Mars. (1978) 1.30 Hollywood Report. 2.00 The Hidden Room. 2.30 BPM. 3.30 The Little Picture Show. 4.25 The Big E. 5.15 On The Live Side.

YORKSHIRE:
1.05 Calendar News. 1.10 The Munsters Today. 1.35 Wanted: Dead or Alive. 2.05 Jumping for Joy. (1955) 3.45 Baywatch. 4.55 Calendar News.

SUNDAY

BBC1

7.25 The High Chaparral. 8.15 Breakfast with Frost. 9.15 Christmas is Coming. 10.00 See Hear! 10.30 Winning. 11.00 Careering Ahead. 11.30 The Human Element.

12.00 **Bellamy Rides Again.** The vital importance of nitrogen.
12.30 **CountryFile.** Rural and environmental news.
12.55 **Weather for the Week Ahead.**
1.00 **News.**
1.03 **On the Record.** John Humphrys reviews the week in politics.
2.00 **EastEnders.**
3.00 **Film: Ivanhoe.** With Elizabeth Taylor (1952).
4.50 **Stay Tooned.** How animators are becoming more environmentally aware.
5.15 **The Clothes Show.** The team visits London to assess the first collections by young student designers at Graduate Fashion Week.
5.40 **The Borrowers.** Pod and Homily face death when a raging flood washes them down a dangerous river.
6.10 **News.**
6.25 **Songs of Praise.** Alan Titchmarsh joins the congregation in Durham Cathedral to celebrate Advent Sunday.
7.00 **Last of the Summer Wine.**
7.30 **Lovejoy.** Last in series, with Ian McShane, Dudley Sutton, Caroline Langrishe and Malcolm Tierney.
8.20 **Birds of a Feather.** Tracey becomes manager of a boys' football team, while a psychic message leads Dorien to believe a passionate fling with an athletic man in black is just around the corner. Comedy, starring Pauline Quirke, Linda Robson and Lesley Joseph. Last in series.
8.50 **News and Weather.**
9.05 **To Play the King.** Urquhart (Ian Richardson) is haunted by memories of his ruthless misdeeds, and his troubles are compounded when the King (Michael Kitchen) argues that politicians should show more respect for the wishes of ordinary people.
10.00 **Legendary Trails: In the Footsteps of Buddha.** New series. Alexander Frater sets off on a pilgrimage to northern India, where he discovers the influence of Buddhism on generations of devotees.
10.50 **Film: Apology for Murder.** (1986).
12.30 **Weather.**
12.35 **Close.**

BBC2

7.15 Poddington Peas. 7.20 Playdays. 7.40 Wishing. 7.50 Telling Tales. 8.05 Blue Peter. 8.55 Albert the 5th Musketeer. 9.15 Simon and the Witch. 9.30 TimeBusters. 10.00 Grimmy. 10.25 Grange Hill. 10.50 Growing Up Wild. 11.15 The Boot Street Band. 11.45 The O Zone. 12.00 Stingray. 12.25 pm Gunsmoke. 1.15 The Phil Silvers Show.

1.40 **The Living Soap.** Dan attends a party thrown by the sister of an ex-girlfriend.
2.00 **Around Westminster.**
2.30 **Snooker: UK Championship.** Coverage of the opening shots from the final at the Guild Hall, Preston.
5.10 **Rugby Special.** England v New Zealand. Highlights of yesterday's international.
6.10 **One Man and His Dog.** Phil Drabble introduces the second semi-finals in the singles and brace competitions.
7.00 **The Money Programme.** In 1990, a London insurance company collapsed, and a compensation scheme designed to protect British policy holders was set up to wipe out its debts. However, most of the creditors affected were American, and serious doubts have been raised as to whether UK taxpayers should foot the bill for the misfortunes of foreign investors.
7.40 **Theatre School.** Emotions run high throughout the drama centre as Ben Nealon and Darrell D'Silva confront their doubts and fears and join fellow students to go on stage for the first time.
8.10 **In the Red.** In the penultimate episode, six volunteers from Bristol take on the chancellor's deficit and try to devise ways of raising money for the Treasury.
8.50 **Locomotion.** How rail travel dramatically increased the scale on which wars have been fought, enabling far bigger armies with more ammunition to be sent to battle.
9.20 **The Broadcast Tapes of Dr Peter.** Profile of Dr Peter Jepson-Young, a young Canadian doctor with Aids, who managed to produce more than 100 video diaries detailing his daily battle with the disease.
10.05 **Notes and Queries with Clive Anderson.** Contributors' questions are answered on topics ranging from train spotting to astrology.
10.40 **Snooker: UK Championship.** David Vine introduces the concluding frames of this year's final from the Guild Hall, Preston. Commentators include Clive Everton and John Spencer.
1.05 **Close.**

LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 Sunday Morning. 12.30 pm Crosstalk; London Weather.

1.00 **ITN News; Weather.**
1.10 **Walden.**
2.00 **Highway to Heaven.** Part one. Jonathan and Mark face the difficult task of convincing a crippled boy that life can still be meaningful.
2.50 **The Sunday Match.** Watford v Crystal Palace. Live coverage from Vicarage Road.
5.30 **Beside the Seaside.** Gavin Weightman tells the story of how people spent their seaside holidays before the package holiday boom in the 1960s.
6.00 **London Tonight; Weather.**
6.20 **ITN News; Weather.**
6.30 **SeaQuest DSV.** The crew contracts a deadly virus after exploring the wreckage of an old space station which crashed years earlier. With Roy Scheider and Stephanie Beacham.
7.30 **Heartbeat.**
8.30 **You've Been Framed!**
9.00 **London's Burning.** The tension rises for Bayleaf as his trial continues, Maggie returns from the Far East, while Jean and Sicknote contemplate a second honeymoon.
10.00 **Spitting Image.** Comedy with the latex puppets.
10.30 **ITN News; Weather.**
10.40 **London Weather.**
10.45 **The South Bank Show.** Two-part special. John Lloyd, script editor of Blackadder, Not the Nine O'Clock News and Spitting Image, presents his personal guide to British comedy, charting the success of the new generation of comedians who have risen to fame over the past 15 years. With contributions from Rik Mayall, Stephen Fry, John Cleese, Lenny Henry, Jo Brand, Ruby Wax, Vic Reeves and Harry Enfield.
11.45 **Sail the World.** The fleet reaches the halfway point on its second-leg voyage from Uruguay to Australia.
12.15 **Cue the Music.**
1.15 **Get Stuffed; ITN News Headlines.**
1.20 **War of the Worlds.**
2.10 **Get Stuffed; ITN News Headlines.**
2.15 **Derrick.**
3.25 **Get Stuffed.**
3.30 **On the Grid.**
4.00 **Night Heat.**
5.00 **Crusade in the Pacific.**

CHANNEL4

6.00 Early Morning. 8.25 Wowser. 9.40 Laurel and Hardy. 9.45 Dog City. 10.15 Beat That Sport. 10.45 Land of the Giants. 11.45 Little House on the Prairie. 12.45 pm Bush Tucker Man.

1.15 **Football Italia.** Soccer action: fixtures include Parma v Milan.
3.30 **Film: Smoky.** Family saga. Roving cowboy Fred MacMurray wins the trust of rancher Anne Baxter after capturing and training a wild colt to work on her farm (1946).
5.10 **News.**
5.15 **High Interest.** John Plender of The Financial Times examines the hardship facing many senior citizens as state pensions decline. He asks why occupational schemes often seem designed to benefit companies rather than individuals, and investigates the discrepancy between British pension rates and those in Europe.
6.00 **Moviewatch.** New series. Cinema reviews, including Aladdin, CB4 and Hard Target.
6.30 **The Cosby Show.**
7.00 **Equinox.** Specially filmed footage from a mission by the Space Shuttle Discovery, showing the procedures involved in launching and manoeuvring the craft, and ensuring the survival of its five occupants.
8.00 **The Great Commanders.** Accomplishments of Julius Caesar.
8.45 **Snapshots.** Bob Geldof returns to his native Dublin.
9.00 **Witness.** Former hostage Brian Keenan describes his four-and-a-half-year ordeal in Lebanon to friend and film maker David Hammond. Last in series.
10.00 **Film: The Kill Off.** Thriller, with Loretta Gross and Jackson Sims. Based on a novel by Jim Thompson. Part of the Made in the USA season (1989).
11.50 **Four-Mations.** Animation by women directors, featuring Corrina Askin's Godspeak, dealing with the role of the Church; Carolina Lopez's romantic fairy tale Swan Song; Rush Hour by Cathy Slim, which deals with paranoia; and Michelle Salamon's offbeat look at hairdressing, Permanent Wave.
12.15 **Film: A Child from the South.** Josette Simon stars in this drama about a journalist who, after 20 years in exile following the political assassination of her father, returns to Mozambique (1991).
2.00 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA:
12.25 Help. 12.55 Anglia News. 2.00 British Motorsport Championships. 2.30 Cartoon. 2.40 North to Alaska. (1960) 5.00 Bullseye. 5.30 Anglia at War. 6.00 Anglia News on Sunday 10.40 Anglia Weather.

BORDER:
12.30 Gardener's Diary. 12.55 Border News. 2.00 Casanova's Big Night. (1954) 3.30 7th Heaven. 4.00 Go for Goal. 4.30 Scotsport. 5.30 Sounds at the Sands. 6.00 Border Week. 6.15 Border News.

CENTRAL:
12.30 Take 15. 12.45 Central Newsweek. 12.55 Central News 2.00 Central Lobby. 2.25 1st Night. 2.50 The Central Match – Live. 5.20 Life Goes On. 6.15 News 10.40 Local Weather. 11.45 Billy.

GRAMPIAN:
11.00 Sunday Service. 11.45 Eikon. 11.55 Appeal. 12.00 Sunday Morning. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Nature of Things. 3.00 Highway to Heaven. 4.00 Sail the World. 4.30 Scotsport. 5.30 The Business Game. 6.00 Put it in Writing. 6.15 Grampian Headlines 10.40 Grampian Weather. 11.45 On the Grid.

GRANADA:
12.25 Granada on Sunday. 12.55 News 2.00 Return to Peyton Place. (1961) 4.15 Animal Country. 4.45 Go for Goal. 5.15 Coronation Street. 6.15 News

HTV:
12.30 HTV News. 12.35 HTV Newsweek. 2.00 Inner Journeys. 2.45 The West Match. 3.25 The Greatest American Hero. (1981) 5.15 Movies, Games and Videos. 5.45 Anybody Out There? 6.15 HTV News. 10.40 HTV Weather. 11.45 Wanted: Dead or Alive.

HTV Wales as HTV except:
12.35 Playback. 2.00 Wales on Sunday. 2.30 The A-Team. 5.15 Tellyphonin'.

MERIDIAN:
12.30 Seven Days. 12.50 Meridian News. 2.00 Country Ways. 2.30 Wanted: Dead or Alive. 3.00 Shane. (1953) 5.10 Cartoon. 5.15 Dinosaurs. 5.45 Dogs with Dunbar. 6.15 Meridian News. 11.45 Serve You Right.

SCOTTISH:
10.15 Wemyss Bay 902101. 11.00 Link. 11.15 Sunday Morning. 11.45 Sunday Service. 12.30 Eikon. 12.40 Appeal. 12.55 Scotland Today. 2.00 The Thomas Crown Affair. (1968) 4.00 The $64,000 Question. 4.30 Scotsport. 5.30 The Business Game. 6.00 The Box. 6.15 Scotland Today 11.45 The Arts Awards.

TYNE TEES:
12.25 Tyne Tees News Review. 12.50 Tyne Tees Newsweek. 2.55 Sky West and Crooked. (1965) 4.50 The Champions – Where Are They Now? 5.20 Hannah USA. 5.50 Tyne Tees Weekend. 11.45 The Trials of Rosie O'Neill.

ULSTER:
12.30 Tomas an Traein. 12.40 Instruments. 12.55 UTV Live News 2.00 Gardening Time. 2.25 Hannah USA. 2.55 Bullseye. 3.25 Police Six. 3.35 Call to Glory. (1983) 5.20 Father Dowling Investigates. 6.10 Witness. 6.15 News 10.40 UTV Live News

WESTCOUNTRY:
12.30 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Children's Island. 2.25 The Concrete Cowboys. (TVM 1979) 4.15 Hannah USA. 4.45 Men in a Woman's World. 5.15 Highway to Heaven. 6.15 Westcountry Weekend Latest.

YORKSHIRE:
12.25 Nawrang. 12.50 Calendar News. 2.55 Sky West and Crooked. (1965) 4.50 The Champions – Where Are They Now? 5.20 Hannah USA. 5.50 Calendar News and Weather 10.40 Local Weather. 11.45 The Trials of Rosie O'Neill.

RADIO

SATURDAY

BBC RADIO 2

6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Sally O'Sullivan. 12.00 Hayes on Saturday.
1.30 The News Huddlines. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 A Handful of Keys. 5.00 Cinema 2. 5.30 Nick Barraclough. 6.00 Julie Rogers in Concert. 7.00 Edmundo Ros. 7.30 Happy Anniversary! 9.30 David Jacobs.
10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Jon Briggs. 4.00 Barbara Sturgeon.

BBC RADIO 3

6.35 Open University: Access to Maths – Starting Countdown. 6.55 Weather. 7.00 Record on Review. Telemann, Schubert, Arensky, Kodaly, Panufnik, Tadeusz Baird, Bacewicz, Coward. 12.00 Spirit of the Age. 1.00 News. 1.05 Table Talk. Polish cookery. 1.20 Chopin. 1.55 Lille National Orchestra, Honegger and Ravel. 2.30 Monteverdi's Madrigals. The eighth book. Last in series. 3.00 Vintage Years. Smetana, Liszt, Mozart, Humperdinck, Hans Von Bulow, Strauss. 5.00 Jazz Record Requests. 5.45 Music Matters. Trends in performing Monteverdi's music. 6.30 Clementi. 7.05 The Coronation of Poppea. Monteverdi's last opera. 10.55 Jazz Jamboree 93. Music from the 35th annual festival held in Warsaw. 1.00 News. 1.05 Close.

BBC RADIO 4

6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Spout on 4.
9.30 Breakaway. Dubai.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 Europhile.
12.00 Money Box.
12.25 I'm Sorry I Haven't a Clue.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse. The Turn of the Screw, by Henry James.
4.00 Age to Age.
4.30 Science Now.
5.00 Costing the Earth.
5.25 Tea Junction.
6.00 News and Sports Round-Up.
6.25 Week Ending.
6.50 Postcard from Gotham.
7.20 Kaleidoscope.
7.50 Saturday Night Theatre: The Levanter by Eric Ambler.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Open Mind. Issues of the day.
10.45 Wings and Landings. The prison journals of John Williams. Last in series.
11.00 Personal Records. Jeremy Nicholas visits Joanna MacGregor.
11.30 The Nick Revell Show. Award-winning sitcom.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5

6.00 World Service.
6.30 Mark Curry's Weekend Edition.
9.30 Get Set.
10.30 Hopalong Cassidy.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on 5.
6.05 Six-O-Six.
7.30 Afropop Worldwide.
8.30 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 The Way Out.
12.00 Close.

WORLD SERVICE

BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times GMT:
6.00 News; British News; The World Today. 6.30 Europe Today. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 9.00 News; Business Report; Worldbrief. 9.30 Personal View. 9.45 Sports Round-up. 10.00 Printer's Devil; Letter From America. 10.30 Waveguide. 10.40 Book Choice. 10.45 From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith; Multitrack Three. 12.45 Sports Round-up. 1.00 Newshour. 2.00 News Summary; John Peel. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; British News; BBC English. 4.30 Heute Aktuell: News in German. 5.00 News Summary; Sportsworld. 5.30 BBC English. 6.00 Newsdesk. 6.30 Heute Aktuell: News in German. 7.00 Nachrichten: Weekend Feature. 8.00 News; Words of Faith; Personal View; Jazz For The Asking. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 Play of the Week: The Lady's Not For Burning. 2.00 Newsdesk. 2.30 The Divine Supermarket. 3.00 News; British News; Sports Roundup. 3.30 From Our Own Correspondent. 3.50 Write On. 4.00 News; Coast To Coast. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2

7.00 Don Maclean. 9.05 John Sachs. 10.30 Hayes on Sunday. 12.00 Desmond Carrington. 2.00 Benny Green. 4.00 Stars of the Fifties. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Jon Briggs. 3.00 Alex Lester.

BBC RADIO 3

6.55 Weather. 7.00 Sacred and Profane. 9.00 Brian Kay's Sunday Morning. 12.15 Music Matters.
1.00 Monteverdi Day. 1.05 France. 2.00 Italy. 3.00 Belgium. 4.00 Denmark. Mogens Pederson's madrigals and mass.
5.00 Poland. Motets by Mikolaj Zielenski and Bartolomiej Pekiel. 6.00 Monteverdi Day Update. Progress report on the celebrations. 6.05 Netherlands. Secular and sacred organ music.
7.00 England. Music by Giaches de Wert, Girolamo Cavazzoni, Palestrina and Guglielmo Gonzaga. 8.00 Spain. Tomas Luis de Victoria. 9.00 Italy. Monteverdi. 11.00 Monteverdi: Past and Future. Anthony Burton discusses the composer's music.
11.30 Music In Our Time. Hanna Kulenty, Tadeusz Wielecki, Lidia Zielinska. 12.30 News. 12.35 Close.

BBC RADIO 4

6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 Terry Wogan. Speaks on behalf of the BBC's Children in Need appeal.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 Mediumwave.
11.45 Cut the Mustard.
12.15 Desert Island Disks.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: Riders of the Purple Sage. Zane Grey's Western novel.
3.30 Pick of the Week.
4.15 Analysis.
5.00 Celtic Wanderers.
5.30 Poetry Please!
6.00 News.
6.15 Feedback.
6.30 Europhile.
7.00 Ice Cream to the Eskimos.
7.30 Devout Sceptics.
8.00 Sweat and Inspiration.
8.30 Reading Aloud.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 St Jack. Dr Jack Preger talks about his work with Calcutta's beggars.
11.00 In Committee.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As BBC World Service.

BBC RADIO 5

6.00 World Service.
6.30 Mark Curry's Weekend Edition.
8.30 Mr Jones and the Pig.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 Simon Fanshawe's Sunday Brunch.
2.00 Writers' Weekly.
2.30 Sporting Albums.
3.00 Sunday Sport.
6.00 The Eagle Dares.
6.30 Education Matters.
7.00 Sportsdesk.
7.15 Money Talk.
7.45 In Other Words.
8.00 Italianissimo.
8.30 Make German Your Business.
9.00 Restart French.
9.30 Black Museum
10.10 Across the Line.
12.00 Close.

WORLD SERVICE

BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times GMT:
6.00 News; British News; Printer's Devil. 6.30 Jazz For The Asking. 7.00 Newsdesk. 7.30 From Our Own Correspondent; Write On. 8.00 News; Words of Faith; Ray On Record. 9.00 News; Business Review. 9.15 Short Story: Writers Block. 9.30 Folk Routes. 9.45 Sports Round-up. 10.00 News Summary; Science In Action. 10.30 In Praise of God. 11.00 Newsdesk. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Play of the Week: The Lady's Not For Burning. 1.00 Newshour. 2.00 News Summary; Making America. 2.30 Anything Goes. 3.00 News; Concert Hall. 4.00 News; BBC English. 4.30 News in German. 5.00 News; Business Review; BBC English. 6.00 Newsdesk. 6.30 News in German. 8.00 News; Words of Faith; Folk Routes. 8.30 Europe Today. 9.00 Newshour. 10.00 News; British News; Meridian. 10.45 Sports Round-up. 11.00 News; Business Review; Ray On Record. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary; The Sioux. 1.45 Capriccio. 2.00 Newsdesk. 2.30 Composer Of The Month: Claudio Monteverdi. 3.00 British News; Sports Roundup. 3.30 Anything Goes. 4.00 News; Images of Britain. 4.30 BBC English. 4.45 News and Press Review in German.

CHESS

British claims to be the number two chess country after Russia were dented this week in the £100,000 Interpolis Insurance event at Tilburg, Netherlands. Tilburg is the world's strongest knock-out tournament, in which more than 100 grandmasters and masters take part. Michael Adams caused a stir when he won the £40,000 first prize last year.

This week, though, Jonathan Speelman, Julian Hodgson and Tony Miles were eliminated quickly. Adams himself followed in the next round. He was the victim of yet another teenage Russian *wunderkind*, Alexander Morozevich, 16, on a day when ex-Soviets made almost a clean sweep of their western rivals.

The top seed at Tilburg was the Fide world champion, Anatoly Karpov, who wins here by skilful tactics against an underprotected back rank.

(A. Karpov, White; O. Romanishin, Black; Tilburg 1993).

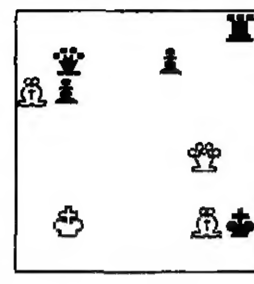
1 d4 Nf6 2 c4 e6 3 Nf3 b6 4 g3 Ba6 5 b3 Bb7 6 Bg2 Bb4+ 7 Bd2 a5 8 0-0 0-0 9 Qc2 d6? A natural move, but it effectively concedes Karpov a bishop pair which later proves decisive. Either Bxd2 or Be7 is more consistent.

10 Nc3 Nbd7 11 Rad1 Re8 12 Rfe1 Bxc3 13 Bxc3 Be4 14 Qc1 a4 15 Bb3 axb3 16 axb3 Ra2 17 Rd2 Qa8 18 Rxa2 Qxa2 19 Nd2 b5 20 f3! Black hoped for 20 cxb5, Bd5 soon regaining the pawn with advantage.

Bc6 21 e4 bxc4 22 bxc4 e5 23 Qa1 Ra8 24 Qxa2 Rxa2 25 d5 Bb7 26 Rb1 Ba6 27 c5! dxc5 28 f4! Perhaps only here did Black realise that his queen-side strategy had failed. If exf4 29 e5 wins a piece.

h5 29 fxe5 Ng4 30 Bxg4 hxg4 31 Ra1 Rc2? Rxa1+ and Nf8 is a stiffer defence. 32 Rxa6 Rxc3 33 Ra8+ Kh7 34 e6 fxe6 35 dxe6 Nf6 36 e7 Rc1+ 37 Kf2 Rc2 38 Ke1 Resigns

No 998



White mates in two moves, against any defence (by R. Lincoln, 1993).

Leonard Barden
Solution Page XXIV

BRIDGE

I WAS sitting West when this most interesting hand occurred during a session of rubber bridge:

N
♠ A J 8 6 5
♥ 9
♦ Q 7 5 2
♣ J 7 5

W
♠ 10 7 4 2
♥ J 7 6 5 2
♦ K J 9
♣ K

E
♠ K Q 9 3
♥ 8 3
♦ –
♣ A Q 10 9 6 3 2

S
♠ –
♥ A K Q 10 4
♦ A 10 8 6 4 3
♣ 8 4

With East-West vulnerable, South dealt and opened with one diamond. North replied one spade. My partner bid two clubs and South re-bid three hearts. North said four diamonds and South went to five. I doubled, and South's redouble closed the auction.

I opened with my king of clubs, on which East dropped the 10. He should, I think, have overtaken with his ace, in case I had a singleton, and followed with the queen. The declarer was marked with a 6-5 distribution in the red suits and, if he had a singleton club, the established knave was unlikely to be of much use. Had he done this and continued with a third club, we would have defeated the contract by two tricks.

I had to switch to the spade two. The ace won, allowing declarer to throw his losing club. Now, he should have made his redoubled contract. But after winning the spade ace, he crossed to his diamond ace and continued with a low diamond. I won and exited with my knave to the queen. South had to go one down.

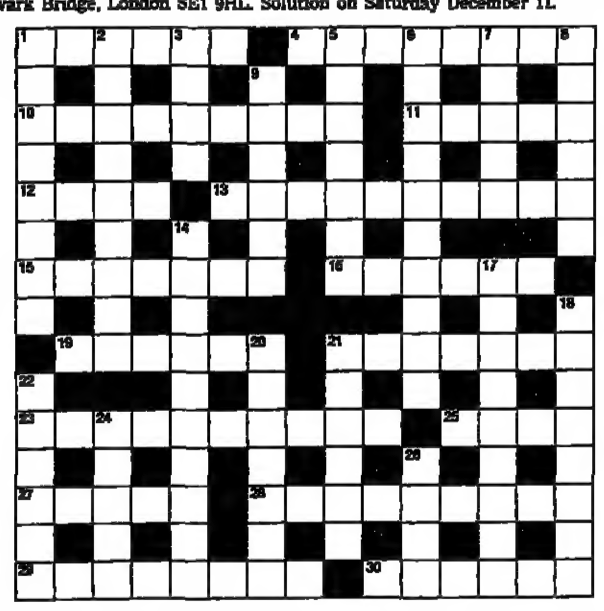
The safe method of play is to ruff a spade at trick three, then lead a diamond to my king. I can return a diamond, but this does not prevent the declarer from ruffing two hearts and making 11 tricks.

E.P.C. Cotter

CROSSWORD

No. 8,317 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday December 8, marked Crossword 8,317 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday December 11.



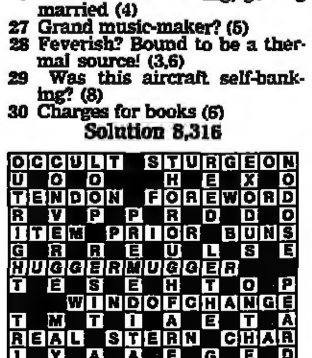
Name

Address

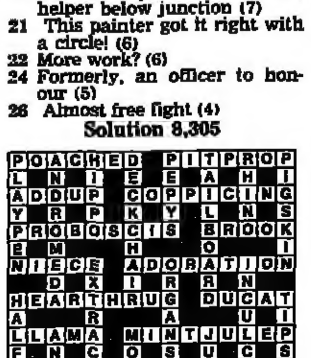
ACROSS
1 Daughter to science-fiction author lives (6)
4 Reflex action of member being hammered? (4-4)
10 Clever scheme to use up gas-matter (9)
11 Conduct is mainly good in Edinburgh (5)
12 Copy paper? (4)
13 Watch found on the beach (10)
15 Cat bane (7)
16 Plain, bald Frank Green .... (6)
19 .... surrounded by becoming maids at the junction (6)
21 Centres of activity in grand old England (7)
23 Three in old-fashioned pub (3,3,4)
25 Was in debt for ring, getting married (4)
27 Grand music-maker? (5)
28 Feverish? Bound to be a thermal source! (3,6)
29 Was this aircraft self-banking? (8)
30 Charges for books (6)

DOWN
1 Broadcast of girl's, by itself? (8)
2 Turner, maybe, leaving the cast (9)
3 Abundance of things to be knocked down (4)
5 She makes sin seem sorry (7)
6 Contract of employment (10)
7 American man leaving Heather (5)
8 King with fancy sedan fingers dough (6)
9 Send someone to Coventry Region, perhaps (6)
14 Long, sacred pieces of early music (6-4)
17 Chaste girl, possibly with energy (4-5)
18 Lengths to which police go, taking a long time? (8)
20 Cable car system needs lively helper below junction (7)
21 This painter got it right with a circle! (6)
22 More work? (6)
24 Formerly, an officer to honour (5)
26 Almost free fight (4)

Solution 8,316



Solution 8,305



WINNERS 8,305: B. Wigley, Poynton, Cheshire; M.J. Davis, Stratford-upon-Avon; R.V. Fratepietro, Bridgewater, Ct. USA; J.L. Kirkpatrick, Glasgow; A. Pleasance, Exeter; I.R. Watson, The Hague, Netherlands

Just who is taking the Mickey?

Dominic Lawson explains why Europeans want to wash that mouse right out of their hair

– Five years ago, I sat at a table basking in the late autumn heat of inland Florida. Unfortunately I was unable to nod off, or to become pleasantly squiffy on one of those wonderful long American cocktails. The trouble was there were three other men around the table: big serious business executives, with big serious plans which they wanted to show me.

They reminded me of those diagrams one used to see during the cold war, of the effects of a nuclear bomb in the heart of London: the blob in the middle would be the impact in Whitehall, and the rings blossoming out denoted diminishing degrees of carnage.

These maps also charted flows of population and vulnerability, but to something else: the power of Mickey Mouse, and, in particular to Mickey's new site, then being planned at EuroDisney.

The three executives were from the Disney corporation and were attempting to show me the ideal suitability of northern France for their first venture into theme parks outside the motherland. The rings denoted population density, and speed of population movement. I forget now how many millions of people they claimed were within four hours travelling of EuroDisney – thanks to the wonderful TGV – but it was a number which, if these men had been characters in a Disney cartoon, would have turned their eyes into cash registers.

In part they were trying to convince me, a British journalist, that the outskirts of Paris was, on purely objective grounds, a far better site then anything that Britain could offer. I assured them that I was not in the least offended, and nor were the people of Britain. As it turned out, the people who were offended were the Spanish, but their government could not afford the – entirely legal – financial indnucements offered by France.

Now we are all, particularly the investors in Euro-Disney, much wiser. It is not just the lack of sufficient passing trade that is the problem. It seems that Europeans find the working practices of the Disney corporation rather too onerous. A number of these disgruntled employees have gone into print on the matter: in Friday's *Daily Telegraph* one Christin Ruble, who gave up after only eight weeks, complained that "We were remade in Walt's image" (although I think she looked sweet in the accompanying photograph, wearing her Mickey-Mouse hat).

If Miss Ruble had been reading my column more attentively, she could have spared herself the embarassment. As I reported 18 months ago, on that trip to Florida, I stumbled across a document setting out the dress code for employees. They made the British army seem lax. So as a service to similarly-minded potential employees, I will quote it again from the section headed "Women: Hair". It stipulated, among other things: "Hair below shoulder length should be worn combed away from the face so that it will not fall forward or over the face when performing normal job duties. Side tendrils, if worn, should not extend below the bottom of the ear lobe. If a yarn or hair ribbon is worn it should be no wider than one half inch, or longer than four inches when tied. Stick-pin barrettes (both leather and plastic), and knitted chinon (bun) holders are not acceptable."

The "Men: Hair" section was scarcely less strict, and, among many other points, it demanded that: "Sideburns should be neatly trimmed and may be permitted to extend to the bottom of the ear lobe, following their natural contour. Flares or muttonchops are not permitted".

Americans seem happy to put up with such rules. Their's is a society which not only tolerates homogenisation, but worships it. But we in Europe are quaintly obsessed with individualism, particularly in matters of dress and appearance.

The Americans also are happy queueing. I was amazed, in Florida, to see families standing for two hours to spend a minute on some new attraction. I could never see that happening in northern Europe. But the reason was not anthropological. It was the weather. It was simply too cold or wet, most of the year, for any sane family to want to queue. That is a point which it never occurred to me to put to those Disney executives five years ago, as we sat in our shirt sleeves in the heat of Florida in October.

■ *Dominic Lawson is editor of the Spectator.*

Private View / **Christian Tyler**

When philosophy is kids' stuff

Socrates was condemned to death for corrupting the youth of Athens. What sentence, then, would be appropriate for people caught teaching philosophy to five-year-olds?

Karin Murris, a Dutch philosopher, thinks metaphysics could be the saving of English education.

She was born (where else?) in the Spinoza Clinic, Spinoza Street, Amsterdam, and studied at the famous University of Leyden. She says that unless children are taught to think, they cannot learn. Unless they are taught to scrutinise everything thrown at them by parents, pedagogues, politicians and the press, they cannot develop into good citizens.

Her diagnosis could strike a chord in a country constantly bemoaning the failure of its state education – perhaps, too, with a prime minister whose slogan is "back to basics".

But, I asked her, do we really want to raise a generation of little sceptics?

Philosophy means freedom, she replied. "It gives you choice: not being stuck with what is, but learning to formulate what could be. It is questioning. When you feel satisfied, you make up your mind – temporarily – but keep an open-minded attitude. I don't believe that is a bad thing for children."

Even in moral matters?

Many teachers, she agreed, consider it their first duty to tell children what is right and wrong, what good and bad. "But it's not as simple as that. Children are constantly being taught moral values, anyway. It's only an assumption that they cannot probe further. If you teach answers, and teach dogmatically, they won't have the concepts to heart. If they haven't thought it through for themselves, do you think they will obey?"

Questioning should start from an early age because beliefs can petrify into prejudice and prejudice can lead to violence. "For instance, religion has been used – I am not saying it is inherent in religion – to justify violence."

Karin Murris does not look like a poisoner of tiny minds. She has a gentle voice, easy manner and mischievous eyes. She lives with her English husband in a smart big bungalow in Berkshire, from where she runs her Centre for Philosophy with Children. And she has children of her own: a son and daughter, both at a local state school, and a baby on the way.

"With my own children, I am always clear about the values I think important," she said. "There are a lot of rules you need to make living as a family possible."

Children should challenge authority – not the law, the police or their teachers, but epistemological authority: where do our beliefs come from? How do I justify them? "You can be very sceptical about the origin of belief and the possibility of true knowledge without . . ." She paused.

Becoming an anarchist?

"Exactly."

There is no count of British schools that have tried teaching children philosophy but the idea is not new. It began 20 years ago in the US when Mathew Lipman, a university philosophy professor and guru of the movement, had a bright idea for engaging the minds of no-hopers from city ghettoes. It is now taught in 5,000 schools there and has spread to 35 other countries. It seems to be particularly popular in eastern Europe, Russia and South America.

Lipman and his disciples use philosophical novels of the professor's own composition (the first, punningly titled *Harry Stottlemeier's Discovery*, was on logic) to provoke disciplined debate between children on a topic of their own choosing. Murris follows Lipman's method but uses different material. Being herself mainly a product of the continental tradition of philosophy, she is unhappy with some of the Lipmanite doctrines.

I asked her if there was an age below which children were incapable of philosophising.

"I don't think so. As soon as they can talk, they come up with the most amazing questions. Infants are very open and sparkling and very creative in their thinking. The older they get, the more closed down the answers become. If you don't start young, you have missed most people."

She recalled conducting a class of middle-class 10-year-olds: "They were as good as gold, honestly. But they couldn't formulate questions. They just didn't want to explore ideas."

Do boys and girls think differently?

"I haven't noticed it."

How many women philosophers have there been?

There was a reproving silence. "That's a rhetorical question, not an open-ended question." Then she decided I was joking and laughed merrily. "There've been *so many* : you're just not aware of them! But it's the same as in history, sciences, everything. Why did the Dutch produce so many good philosophers and painters?"

It is often said that men are better at sequential thinking, women at intuitive, lateral thinking.

"I don't know. This left-brain, right-brain thing assumes a mechanistic view of the mind, anyway. Philosophy deals with both. You think with your guts, too. Scientists working on projects for 10 or 20 years feel in their guts that something is there. Philosophy is very much a passionate affair. It's a passion for thinking. You are constantly in motion. That's why you can never 'be wise'."

Are there forbidden topics?

None, she said, unless schools ban discussion of sex without parental permission. Children had fewer taboos than adults. They needed to talk about death, for example, and could spot the difference between "suicide" and "killing yourself". Sometimes, racism crops up.

"It's wonderful when it comes up in philosophy because then you neutralise the whole thing: 'Why did you say that?' You have to justify. As soon as prejudices come to the surface ,they can be dealt with – by the children."

Don't you get complaints from the parents?

"It's funny, but I haven't had a single one. Children seem to know when they can or can't say certain things. They're very clever."

Murris said philosophy does not subvert the rest of the curriculum but complements it. Do you mean, I said, that it is the sub-structure?

"Absolutely. That's a lovely way of putting it: it is the sub-structure. Philosophy is the fourth R – reasoning – that underlies the three Rs."

Why hasn't it been taught in schools before, then?

She replied by referring to historical fashion and to wrong assumptions about children's powers of reason. Thinking of the present backlash against so-called child-centred education in Britain, I asked her if she was "progressive".

"Oh, I hate labels! No, I'm a philosopher. I think all philosophers are progressive, anyway."

Are you just putting forward in a more systematic way the ideals of child-centred education which – so it appears – teachers have shown themselves unable to deliver?

"Well, of course it's child-centred because you believe they can think for themselves. But I don't think one excludes the other.

"You can't say you want a society where citizens are assumed to think for themselves, to vote, formulate opinions, digest all the information, and then teach them not to do so." Philosophy should be part of every teacher's education.

Studies in the US have given some support to the movement's claim that philosophy accelerates children's reading ability and mental age. Lipman points to successes with drop-out teenagers in New Jersey.

Murris is careful not to make large claims for it, but has seen its beneficial effect on truants and disruptive children. Giving them permission to express their own opinions raises their *self*-esteem – and low self-esteem is cited often these days as a cause of addiction to drugs and violence.

"The older I get, the more I realise how limited our thinking is and what we can grasp with it," Murris said, finally.

"Philosophy gives you another perspective on life, and the more perspectives you have, the richer a person you are. The aim of education is not just to teach this or that subject. It is all about choices, ideas. What sort of life do you want to live? What sort of person do you want to become?

"We always assume we remain the same person, that we have to have some coherent life story. But is there such a thing? We are constantly becoming the person we want to be. So, there is no harm at all in teaching children they are not stuck.

"You can only hope they take out what you value. But, at the end of the day, it's their decision. In a society that is rapidly changing, we haven't got a clue what our children will need in 10 or 20 years' time, do we – what knowledge, what sort of skills?

"But thinking soundly about these things is, I think, the best thing you can give them: about what they hear, what they see on television, what they read in the newspapers." She smiled wickedly. "*Including the Financial Times.*"

A glass of champagne, not hemlock, I think, for Karin Murris. But how many teachers wrestling to instil the three Rs will be capable of delivering the fourth?

Tony Andrews

Reaping science's reward

By Michael Thompson-Noel

Will he or won't he? All week I have been in a state of trepidation, wondering whether Kenneth Clarke Ha Ha Ha, Britain's chancellor of the exchequer, will dare to introduce value added tax on books and newspapers – the so-called tax on knowledge – in Tuesday's Budget. I do not have a surplus of knowledge, anyway, and the prospect that its acquisition may be taxed has filled me with dismay.

In a flurry of desperation I have been reading book after book – one of which, called *Making of the Modern World*, about milestones in science, has had a strange effect, calming and pacifying me in a way I would not have thought possible for someone whose normal state of mind as he surveys this weary planet is one of melancholy.

Making of the Modern World was produced by experts at the Science Museum in London, and lists 100 key developments in science, technology and medicine. The photography is superb.

According to John Murray, the publisher, the inventions are presented chronologically to give an idea of the historical progress made in science, starting with the Byzantine sundial calendar in 1217 AD through to genetically engineered mice in the 1980s. Other inventions covered include Arkwright's spinning machine, Trevithick's high-pressure engine, Elias Howe's sewing machine, *Puffing Billy*, the first plastic, Bell's telephone, early cine cameras, the first tube railway, polythene, the V2 rocket, and Marconi's first radio transmitter.

Before plunging in, I jotted down a short list of scientific breakthroughs *I* would like to see. I did not ponder deeply. The idea was to improvise, at speed, a list of obvious improvements on the life we live now and see how it compared with the 100 key inventions listed in the book.

My list: a cure for cancer, and for all forms of illness; an anti-stupid pill; super-cheap power; a gun that never hits its target; improved human life expectancy; a way to save the elephant and all God's creatures.

It is not a brilliant list. It is amazingly airy-fairy. Even I can see that now. But

HAWKS & HANDSAWS

what I hadn't expected was the overwhelming practicality of the 100 key inventions listed by the museum. Most of *these* gadgets and processes were the result of centuries' worth of effort aimed at answering extremely specific needs.

None is airy-fairy, or was day-dreamed into existence. All are tangible and real. As the Science Museum says, reflecting on these inventions helps us appreciate why the world of today has become what it has.

An example is Bell's mechanical reaper, designed in 1827 by Patrick Bell of Carmyllie, Scotland. For centuries, reaping (the cutting of corn at harvest) had been done using hand-held sickles and scythes, even though a mechanical reaper had been described in the writings of scholars of ancient Rome.

Bell's reaper proved to be the first workable design. He was ignorant of previous research, except that of James Smith, and dismissed a succession of ideas until starting work on a design incorporating the cutting action of garden shears. A small working model was made in 1827, followed by a full-scale prototype.

It is not in the least difficult to see how Bell's invention has played its role in shaping the modern world – or to realise that without it the European Union, among other ingenious things, would hardly have come into existence. No Bell's reaper: no Jacques Delors. No Jacques Delors: pestilence, war and famine across the face of Europe.

Similar trains of thought are produced by contemplating Lister's 1826 microscope, Bessemer's converter, Holmes' lighthouse generator, Crookes' radiometer, Wimshurst's electrostatic machine, the Rover safety bicycle, etc.

I am grateful to the Science Museum for helping me see why the world of today has become what it has. There is a reason for everything. Whimsicality is useless. An anti-stupid pill (given freely with *The Sun*) is probably nothing but wishful thinking.

Thanks to this book, I have grown tolerant and fond of all sorts of modern phenomena. Motorway service stations. British Rail. Eurotunnel and Euro Disney. John Major. Prince Charles. Britain's nuclear submarines. Alleged manifestations of the Virgin Mary. Vong Phaophanit's *Neon Rice Field*.

How long will this mood last? At least until Tuesday's Budget.

■ *Making of the Modern World*, edited by Neil Cossons, £17.95.